

**CITY OF CATHEDRAL CITY
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2005

Prepared by the Finance Department

Tami Scott, Administrative Services Director

Bea Gillard, Accounting Manager

Robert Pacholke, Accountant

Jenny Barnes, Accountant

Jack Sliwoski, Accountant

Dale Rose, Purchasing Technician

Marilyn Jordan, Payroll Technician

Galina Harvey, Accounting Technician (Accounts Payable)

68-700 Avenida Lalo Guerrero
Cathedral City, California 92234
Telephone: 760-770-0340
Fax: 760-202-1467

www.cathedralcity.gov

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Comprehensive Annual Financial Report
June 30, 2005

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CITY OF CATHEDRAL CITY

List of Principal Officials June 30, 2005

Council-Manager Form of Government

CITY COUNCIL

Kathleen DeRosa
Mayor

Gregory Pettis
Mayor Pro Tem

Charles (Bud) England
Council Member

Paul Marchand
Council Member

Charles Vasquez
Council Member

CITY CLERK
Pat Hammers

CITY TREASURER
Henry Chan

CITY ADMINISTRATION

Donald Bradley
City Manager

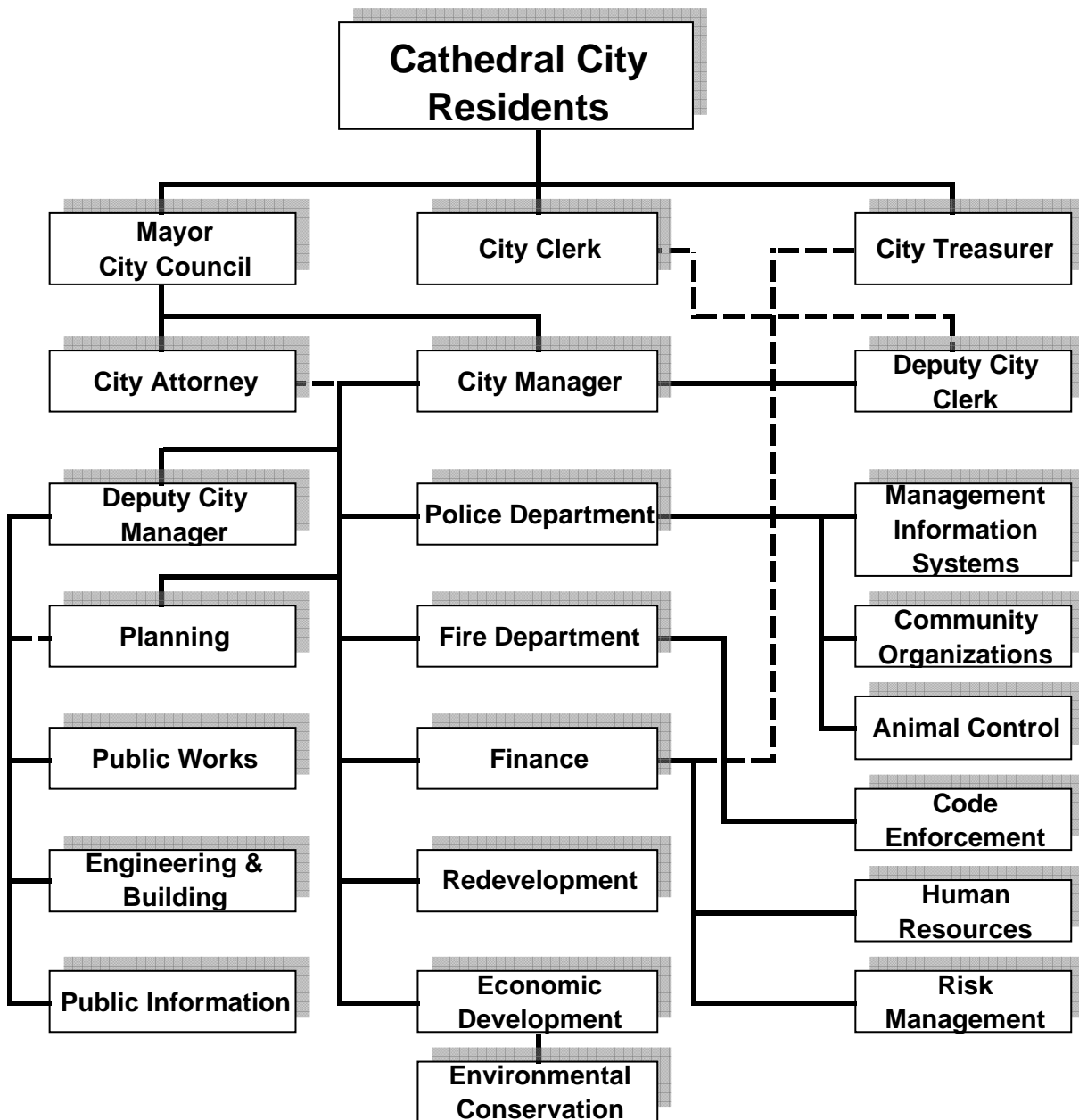
Julie Baumer
Deputy City Manager

Charles Green, City Attorney
Tami Scott, Administrative Services Director
Stan Henry, Chief of Police
Steve Sowles, Fire Chief

Jan Davison, Redevelopment Agency Director
Paul Shillcock, Economic Development Manager
Bill Bayne, City Engineer
Vacant, City Planner

City of Cathedral City

Organizational Chart





December 12, 2005

To the Members of the City Council and Citizens of the City of Cathedral City:

It is the policy of the City of Cathedral City to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Cathedral City ("the City") for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Moreland & Associates, Inc., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2005, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1981, is located in the western part of the Coachella Valley, which is considered to be one of the top growth areas in the state. The City currently occupies a land area of approximately 20 square miles at an elevation of 400 feet above sea level. According to the

U.S Census Bureau, the 2005 population of Cathedral City is estimated to be 53,281, with an average household size of 3.08 persons. Cathedral City is the second largest city in the Coachella Valley and receives an estimated seasonal influx of 20,000 people. Based on estimates generated by ESRI, the median age for the population is estimated to be 32.0 years of age.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council. The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a City Council consisting of the mayor and four other council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two council members elected every two years. The mayor is elected to serve a two-year term.

The City is financially accountable for a redevelopment agency, a financing authority, and a public improvement corporation, all of which are reported within the City's financial statements. These component units are reported on a blended basis as part of the primary government because their boards are comprised by all City Council members. The services provided by the Cathedral City Redevelopment Agency include low and moderate income housing development assistance, rehabilitation and redevelopment of blighted areas within certain boundaries of the City of Cathedral City. The Cathedral City Public Financing Authority and the Cathedral City Public Improvement Corporation were established for purpose of financing public capital improvements. During this year there was no activity to report for the Cathedral City Public Improvement Corporation. Additional information regarding these three blended component units can be found in the notes to the financial statements.

The government-wide financial statements include one discretely presented component unit, the Cathedral City Downtown Foundation. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position from that of the primary government. Additional information regarding the Cathedral City Downtown Foundation can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. The City Manager and the Administrative Services Director prepare and submit the annual budget to the City Council and administer it after adoption. The City Manager and/or the Administrative Services Director is authorized to adjust appropriations within each department or activity that does not exceed the amounts approved in the budget for any amending resolutions. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. For each fund, total expenditures may not legally exceed total appropriations. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

The City provides a full range of services, including police and fire protection, public works, water, sewer, construction and maintenance of roads and highways, planning and zoning, and general administrative support.

Local Economy

In recent years, Cathedral City has undergone major changes that have also affected other cities in the region. Population has grown, once-rural roads have become busy commercial corridors, and business activity has shifted from older centers to shopping plazas and malls in scattered locations. Through a public workshop process, the community resolved to revitalize the City's social and physical center. Cathedral City has committed itself to creating a unique high quality downtown that is the heart of the City's community pride and identity, bringing with it expanded opportunities for employment, housing, business and entertainment.

Major attractions in Cathedral City include the 28-acre Big League Dreams Sports Park, the technically astounding Desert IMAX theatre, the Cimarron Golf Resort, antique and consignment shops along Perez Road, and the Mary Pickford theatre, the newest addition to the Cathedral City's downtown redevelopment program. The ultra-modern Cathedral City Public Library provides a host of exhibits, historical collections, art, computer services and books from around the world. Cathedral City is home to four parks which offer a variety of fun-filled activities for the whole family.

For 2005, the median household income is estimated to be \$45,806 and the median home value is estimated to be \$271,851. The most significant percentage of households, 19.7%, earned between \$50,000 and \$74,999 annually. The future growth rate is expected to increase at an annual rate of 4.17% with the community consisting of about the same gender, age and household composition.

Of the total 2005 Cathedral City employment of 20,992, 57.0% are employed in the services. The following two most significant employment industries are retail trade with 13.1% and construction with 12.0 %. According to the California Board of Equalization, retail sales for Cathedral City increased from \$495 million in 1999 to \$709 million in 2003, which equates to a compound aggregate change of 9.4%. Despite fluctuations in the economy, Cathedral City has consistently experienced year-over-year growth.

Long-term financial planning

The City Council has established as a target that the General Fund unreserved fund balance be at least 30% of the General Fund operating budget. The General Fund unreserved fund balance exceeded this 30% target as of June 30, 2005.

The City is currently working on certain projects to generate General Fund revenue to provide basic services to its residents, expand employment opportunities for local residents, assist small and start up businesses and broaden the spectrum of services and retail offerings for City dwellers. Some of these projects include: Sales tax generation through the expansion of automobile sales activity; transient occupancy tax generation through tourism industry development; and, general commercial development, as well as the adaptive reuse of existing commercial structures which are underutilized or vacant.

The City's "Downtown Core Revitalization Plan" is intended to create a downtown Cathedral City that will ultimately consist of a centrally located Downtown Core flanked by mixed-use commercial districts to the south, east and west. The Downtown Core will consist of a tight cluster of commercial, entertainment and mixed-use buildings. In addition to the proposed Sheraton Desert Cove Resort, other planned developments in the Downtown Core include the adjacent 18-hole resort golf course, multi-story office building, retail space, an In-N-Out Burger quick service restaurant, a Starbucks coffee and espresso shop, and a 160-unit condo hotel.

The "Cathedral City Parks and Recreation Master Plan" calls for the following to occur between 2005 and 2015:

- Develop 145 acres of land set aside for park use,
- Acquire another 200 acres,
- Develop the 200 acres between 2010 and 2015 acquire another 150 acres,
- By 2008, build two swimming pools, which would include aquatic features, possibly a zero-depth area, water fountains, slides and boards, floating areas, spray stations and play structures,
- Add ten new soccer fields by 2015,
- Add ten new baseball/softball fields by 2015,
- Provide two 50,000 square foot community recreation centers, one by 2010 and the second by 2015, and
- Add tennis courts to the existing six.

Several options have been presented regarding the funding of the plan including grants from the National Park Service and the State Department of Parks and Recreation.

Relevant Financial Policies

Cash Management Policies and Practices. The City Treasurer is responsible for the cash management and investment program of the City, which employs a pooled cash system. The City's investments are managed in compliance with the investment policy adopted by the City Council and reaffirmed annually. Cash temporarily idle during the year was mainly invested in securities of government agencies and the State Treasurer's investment pool.

Interest revenue is allocated to participating funds based on the quarterly ending cash balance of each fund. Interest revenue also includes changes in fair value of investments. Changes in fair value recognized in the current year do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk Management. The City is self-insured against most worker's compensation, general liability and property claims. As part of this comprehensive plan, resources are being accumulated in an internal service fund, Risk Management Fund, to meet current and potential losses. Estimated liabilities are budgeted annually in this fund to meet potential losses. In addition, various control techniques, including employee accident prevention training and supervisor training, have been implemented during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims in excess of \$250,000 and for general liability claims in excess of \$250,000 with a limit of \$5 million per occurrence. Additional information on the City's risk management activity can be found in the notes to the financial statements.

Pension Benefits. The City contributes to the California Public Employees Retirement System, an agent multiple-employer public employee defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy. The unfunded actuarial liability associated with employee services rendered to date is being systematically funded over a period not to exceed 30 years.

Major Initiatives

The Sheraton Desert Cove Resort and Spa at Cathedral City is a proposed 300-room resort hotel that will be operated under the Sheraton Flag by Starwood Hotels and Resorts. The hotel will be a first-class, full service lodging facility with an approximately 6,000 square foot spa, a 120-seat full-service restaurant, other food and beverage outlets, a grand ballroom, board room, business center and other amenities. An 18-hole regulation length golf course is being developed adjacent to the project. The golf course will be developed on 220 acres and is planned to be a 6,623 yards, par 71 course.

The Cathedral City Redevelopment Agency has spent the last five years preparing for this project. The 12-acre site of the proposed conference center hotel was once blighted with limited infrastructure. The Agency has contributed considerable financial, political and human resources to make this project successful. The relocation, demolition, and acquisition costs alone have been in excess of \$14 million. The utilities and infrastructure to the site has cost more than \$6 million. As for the golf course portion, 50% of the underlying land is owned by the Agency, and will be leased to the developer for \$1, plus \$3 per round. To assure the golf course will be ready by the opening of the hotel, the Agency has agreed to lend the golf course developer 50% of the construction costs (approximately \$6 million) in exchange for a first lien position on the land and the golf course itself. In addition, the Agency and the City have also pledged site-specific available property taxes and transient occupancy taxes to the project, as well as a limited pledge of the Agency tax increment.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Tami E. Scott
Administrative Services Director

October 21, 2005

The Honorable City Council of
the City of Cathedral City, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cathedral City, California as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cathedral City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, these financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cathedral City, California, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2005 on our consideration of the City of Cathedral City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

1 *Moreland & Associates, Inc.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Cathedral City provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses.
 - *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provided additional financial and budgetary information.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of the City's Government-wide and Fund Financial Statements

| | Government-wide <u>Statements</u> | <u>Fund Statements</u> | | |
|--|--|--|---|--|
| | | <u>Governmental Funds</u> | <u>Proprietary Funds</u> | <u>Fiduciary Funds</u> |
| Scope | Entire City government (except fiduciary funds) and the City's component units | The activities of the City that are not proprietary or fiduciary | Activities the City operates similar to private businesses | Instances in which the City is the trustee or agent for someone else's resources |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid. |

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – For these activities, the City would charge a fee to customers to help it cover all or most of the cost of the services accounted for in these funds. The City has no business-type activities.
- Component units – The City includes one discretely presented component unit in its report – the Cathedral City Downtown Foundation. Although legally separate, the City appoints the governing board and approves the Foundation's budget.

Reporting the City's Major Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are

reported in the Statement of Net Assets and the Statement of Activities. Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City does not report any enterprise funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide *statement of net assets* follows:

Table 1
Net Assets

| | <u>2005</u> | <u>2004</u> | <u>Change</u> |
|---|--------------------|--------------------|--------------------|
| Assets: | | | |
| Cash and investments | \$ 71,445,133 | 73,654,977 | (2,209,844) |
| Cash with fiscal agent | 13,132,447 | 6,229,182 | 6,903,265 |
| Investment in assessment district debt | 14,955,000 | - | 14,955,000 |
| Accounts receivable | 2,900,979 | 2,956,073 | (55,094) |
| Interest receivable | 594,619 | 343,037 | 251,582 |
| Loans receivable | 10,035,818 | 6,580,721 | 3,455,097 |
| Prepays | 120,852 | - | 120,852 |
| Inventories | 18,018 | 9,353 | 8,665 |
| Land held for resale | 27,278,123 | 24,883,258 | 2,351,569 |
| Other assets | 1,482,217 | 1,535,153 | (52,936) |
| Deposits | 5,130,800 | 2,023,200 | 3,150,896 |
| Capital assets: | | | |
| Not being depreciated | 27,593,859 | 20,675,950 | 6,917,909 |
| Being depreciated, net | <u>85,048,462</u> | <u>86,388,499</u> | <u>(1,340,037)</u> |
| Total assets | <u>259,736,327</u> | <u>225,279,403</u> | <u>34,456,924</u> |
| Liabilities: | | | |
| Accounts payable | 2,676,320 | 822,455 | 1,864,844 |
| Accrued liabilities | 557,761 | 887,046 | (340,264) |
| Deposits | 839,750 | 846,967 | (7,217) |
| Due to agency funds | 545,732 | - | 545,732 |
| Deferred revenue | 771,227 | 486,106 | 285,121 |
| Interest payable | 2,148,581 | 2,683,621 | (535,040) |
| Noncurrent liabilities: | | | |
| Current portion of long-term liabilities | 15,552,246 | 4,450,368 | 11,103,878 |
| Long-term liabilities, net of current portion | <u>134,409,727</u> | <u>125,983,210</u> | <u>8,424,517</u> |
| Total liabilities | <u>157,501,344</u> | <u>136,159,773</u> | <u>21,341,571</u> |

| | <u>2005</u> | <u>2004</u> | <u>Change</u> |
|---|----------------------|----------------------|-------------------|
| Net assets: | | | |
| Invested in capital assets, net of related debt | 112,910,687 | 107,520,100 | 5,390,587 |
| Restricted | 98,648,373 | 91,617,045 | 7,031,328 |
| Unrestricted (deficit) | <u>(109,324,077)</u> | <u>(110,017,515)</u> | <u>693,438</u> |
| Total net assets | <u>\$102,234,983</u> | <u>89,119,630</u> | <u>13,115,353</u> |

A summary of the government-wide *statement of activities* follows:

Table 2
Changes in Net Assets

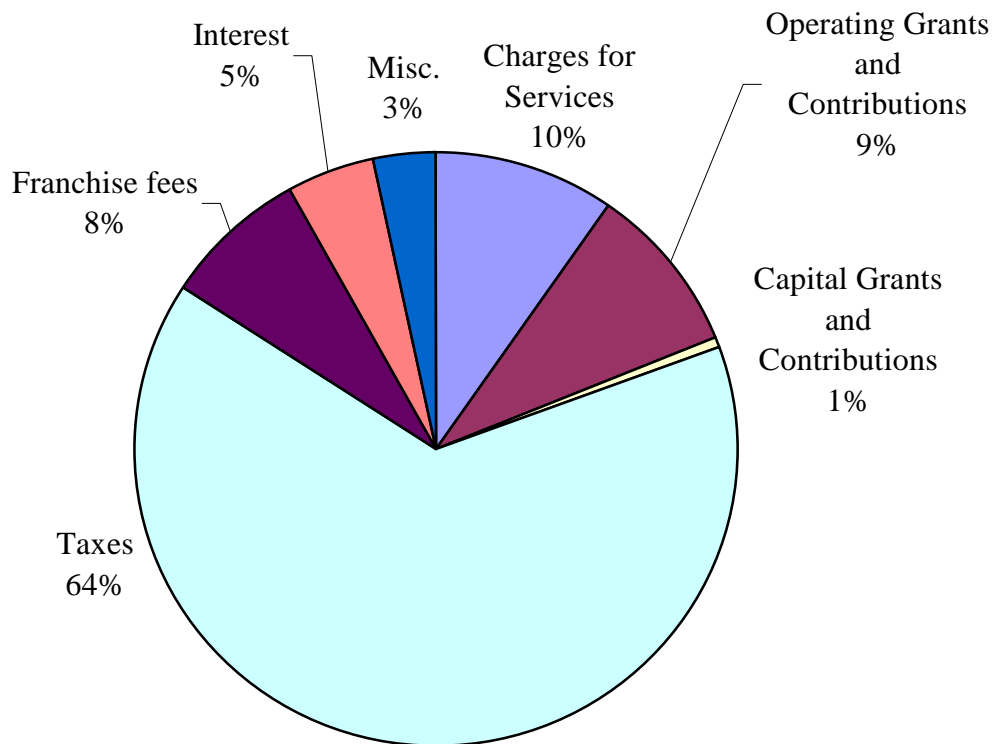
| | <u>2005</u> | <u>2004</u> | <u>Change</u> |
|--|----------------------|-------------------|-------------------|
| Revenues | | | |
| Governmental activities: | | | |
| General government | \$ 3,402,323 | 3,709,657 | (307,334) |
| Public works | 3,858,553 | 2,892,324 | 966,229 |
| Public safety | 3,079,114 | 2,692,310 | 386,804 |
| Community development | 91,362 | 95,397 | (4,035) |
| General revenues: | | | |
| Taxes | 34,678,025 | 33,258,729 | 1,419,296 |
| Franchise taxes | 4,146,235 | 2,011,718 | 2,134,517 |
| Interest | 2,612,506 | 1,386,790 | 1,225,716 |
| Miscellaneous | <u>1,792,982</u> | <u>215,039</u> | <u>1,577,943</u> |
| Total revenues | <u>53,661,100</u> | <u>46,261,964</u> | <u>7,399,136</u> |
| Program expenses | | | |
| General government | 25,015,231 | 17,178,043 | 7,837,188 |
| Public works | 2,878,756 | 2,172,455 | 706,301 |
| Public safety | 15,433,503 | 12,844,985 | 2,588,518 |
| Community development | 7,129,970 | 801,061 | 6,328,909 |
| Payments to other agencies | 6,106,460 | 3,985,440 | 2,121,020 |
| Interest on long-term debt | <u>6,155,663</u> | <u>6,175,271</u> | <u>(19,608)</u> |
| Total expenses | <u>62,719,583</u> | <u>43,157,255</u> | <u>19,562,328</u> |
| Excess (deficiency) before special items and transfers | (9,058,483) | 3,104,709 | (12,163,192) |
| Transfers | <u>12,013,836</u> | <u>2,241,209</u> | <u>9,772,627</u> |
| Change in net assets | 2,955,353 | 5,345,918 | (2,390,565) |
| Net assets at beginning of year (restated) | <u>99,279,630</u> | <u>83,773,712</u> | <u>15,505,918</u> |
| Net assets at end of year | <u>\$102,234,983</u> | <u>89,119,630</u> | <u>13,115,353</u> |

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Net assets of the City's governmental activities increased by \$2.9 million (\$102.2 million compared to \$99.3 million, as restated) or by 3.0 percent. Net assets were restated as of July 1, 2004 due to the recording of an investment in special assessment debt of the Public Financing Authority previously not recorded, as further discussed in the notes to the financial statements.

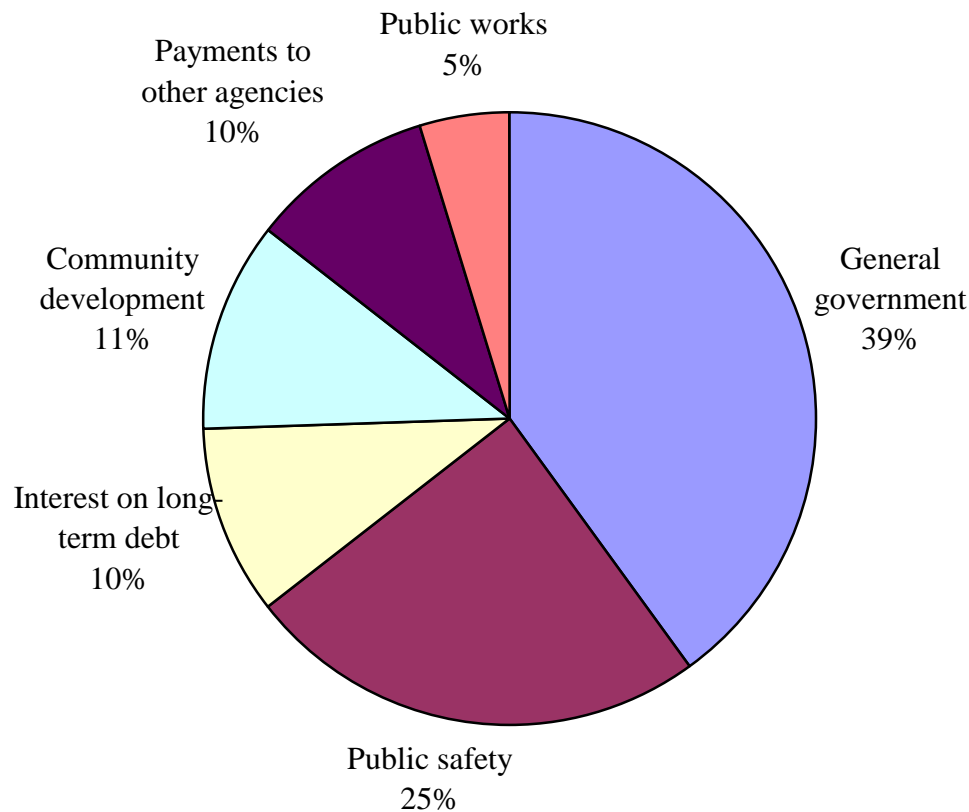
In the current year, and in the prior year, there was a deficit balance reported in unrestricted net assets for the Governmental Activities. The deficit in the unrestricted net asset balance results from the recognition of long-term debt and other expenditures that have been utilized/incurred to fund redevelopment projects. The long-term debt will be repaid from tax increment revenue which will be generated as a result of redevelopment project activity in the future. This future tax increment revenue is not reflected in our financial statements, thereby resulting in deficit net asset balance for governmental activities.

Total revenues and transfers increased by \$17.1 million from the prior year, or by 35.3%. Sales tax increased by 4%, vehicle license fees increased by 34%, property taxes and transfers were up 43%, and interest revenue was up 88%. Total expenses increased by \$19.5 million from the prior year, or by 45.2%. Community development expenses increased due to City and Redevelopment Agency assistance being provided for various projects including the Cathedral Towne Villas, the Desert Mobile Home Park, and the Cathedral City Auto Center. The increase in public safety expenses is due largely to overtime resulting from low staffing levels

Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$15.2 million, while total fund balance reached \$19.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 64.2 percent of total General Fund expenditures, while total fund balance represents 82.0 percent of that same amount.

The fund balance of the City's General Fund increased by \$2.5 million or 15.0%. The reasons for significant changes in the revenues and expenditures of the City's General Fund from the prior year are as follows:

- Overall General Fund revenues increased by \$3.5 million. The increases were mainly due to an increase of \$2.0 million in taxes revenue and \$0.6 million in interest income.

- Overall General Fund expenditures increased by \$3.5 million. The General Government expenditure category increased by \$0.6 million from the prior year. Public Safety expenditures increased by \$2.3 million from the prior year. Public Works expenditures decreased by \$0.1 million from the prior year. Payment under pass-through agreements expenditures increased by \$0.5 million from the prior year.

The **Redevelopment Agency Area 3** Debt Service Fund has a total fund balance of \$2.6 million, all of which was reserved for debt service. The net decrease in fund balance during the current year was \$4.2 million. Taxes revenue increased by \$1.4 million from the prior year and expenditures decreased by \$571 thousand from the prior year, however, a transfer out of \$9.4 million was recorded to transfer the expenditures of various capital projects to the correct funds.

The **Public Financing Authority** Debt Service Fund has a total fund balance of \$675 thousand, all of which was reserved debt service. The net change in fund balance during the current year was a decrease of \$1.3 million, which was mainly due to a transfer out of \$1.6 million.

The **Redevelopment Agency Area 1** Capital Projects Fund has a total fund balance of \$3.7 million, all of which was reserved for land held for resale. The net change in fund balance during the current year was an increase of \$0.9 million.

The **2002 D Housing Bond** Capital Projects Fund has a total fund balance of \$12.0 million, of which \$0.7 million was reserved for land held for resale. The net change in fund balance during the current year was a decrease of \$5.8 million. General government expenditures increased by \$2.7 million and capital outlay expenditures increased by \$3.5 million due to work performed on various capital projects.

The **2002 E Housing Bond** Capital Projects Fund has a total fund balance of \$14.3 million, all of which was unreserved. The net change in fund balance during the current year was an increase of \$184,648.

The **Areawide Capital Projects** Capital Projects Fund has a total negative fund balance of \$366 thousand, all of which was unreserved. The net change in fund balance during the current year was a decrease of \$1 million. This was due to capital outlay expenditures increasing by \$4.3 million and the recording of a \$2.8 million capital lease for an energy savings project.

GENERAL FUND BUDGET

The General Fund budgeted revenues increased by \$3.0 million from the original budget or 15.3%. Of this change, taxes had the largest increase of \$2.2 million or 15.8%, which was the result of conservative budgeting due to pending State legislature. The budget was amended at mid-year once additional facts were available.

Difference between the total original appropriations and the final amended budgeted expenditures of the General Fund was \$2.1 million. General government, public safety and public works recorded increases of approximately \$500 thousand each.

The only significant deviation between the final budget of the General Fund and its actual operating results were for transfers in recorded to reimburse the general fund for salaries, benefits and supplies paid by the general fund for the benefit of other funds. Actual transfers in exceeded the final budget by \$1.9 million.

These deviations did not affect the City's liquidity or ability to provide future government services.

CAPITAL ASSETS

Capital Assets
(net of depreciation)

Governmental Activities:

| | Adjusted Balance at <u>July 1, 2004</u> | <u>Additions</u> | <u>Retirements</u> | Balance at <u>June 30, 2005</u> |
|--------------------------|---|--------------------|--------------------|------------------------------------|
| Land | \$ 17,962,917 | 201,444 | - | 18,164,361 |
| Construction in progress | 2,713,033 | 6,716,465 | - | 9,429,498 |
| Buildings | 31,274,218 | 105,064 | - | 31,379,282 |
| Equipment | 2,188,723 | 89,946 | - | 2,278,669 |
| Vehicles | 5,131,362 | 781,132 | (381,714) | 5,530,780 |
| Furniture and fixtures | 1,009,849 | 16,545 | - | 1,026,394 |
| Infrastructure | 82,929,744 | 1,122,086 | - | 84,051,830 |
| Accumulated depreciation | <u>(36,145,397)</u> | <u>(3,452,307)</u> | <u>379,211</u> | <u>(39,218,493)</u> |
| Total | <u>\$107,064,449</u> | <u>5,580,375</u> | <u>(2,503)</u> | <u>112,642,321</u> |

The major additions to capital assets during the year ended June 30, 2005 were as follows:

- The Police Department acquired 15 new police vehicles to update their aging vehicle inventory during the fiscal year.
- The Fire Department acquired a new paramedic ambulance as well a two new replacement vehicles.
- The City started an energy saving project in conjunction with Honeywell. The project is focused on building lighting, traffic LED signalization, window tinting and solar panel electric generation. As of June 30th, the project was approximately 88% complete.

Major unexpended construction commitments as of year end included the Cove Assessment District 2004-02, which is a \$39 million project to install sanitary sewers and street improvements within the Cove area of Cathedral City.

Additional information on the City's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had bonded debt outstanding of \$134.2 million. The debt issues include \$1.4 million in certificates of participation, \$5.4 million in taxable lease revenue bonds, \$111.9 million in tax allocations revenue bonds, and \$15.5 million in revenue bonds. The following table summarizes the activity for the year ended June 30, 2005.

Outstanding Debt

Governmental Activities:

| | Adjusted Balance at <u>July 1, 2004</u> | <u>Additions</u> | <u>Reductions</u> | Balance at <u>June 30, 2005</u> |
|-------------------------------|---|-------------------|---------------------|------------------------------------|
| Certificates of participation | \$ 1,590,000 | - | (235,000) | 1,355,000 |
| Lease bonds | 5,450,000 | - | (85,000) | 5,365,000 |
| Tax allocation bonds | 99,701,000 | 30,015,000 | (17,815,000) | 111,901,000 |
| Revenue bonds | 11,835,000 | - | (11,835,000) | - |
| Limited obligation bond | - | 15,525,000 | - | 15,525,000 |
| Capital leases | 309,574 | 2,913,500 | (153,440) | 3,069,634 |
| Long-term loans and notes | 8,281,229 | 237,493 | (222,606) | 8,296,116 |
| Compensated absences | 1,728,493 | 1,827,698 | (1,512,684) | 2,043,507 |
| Claims and judgments | <u>2,228,542</u> | <u>899,833</u> | <u>-</u> | <u>3,128,375</u> |
| Total | <u>\$131,123,838</u> | <u>51,418,524</u> | <u>(31,858,730)</u> | <u>150,683,632</u> |

The City's total debt increased by \$19.6 million during the current fiscal year, as a result of the issuance of \$48.4 million in bonds and capital leases and the defeasance of \$30.0 million in bonds.

The City's most recent tax allocation bonds received a "AAA" rating from Standard & Poor's and an "Aaa" rating from Moody's.

Additional information on the City's long-term debt can be found in the notes to the accompanying financial statements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at Cathedral City, 68-700 Avenida Lalo Guerrero, Cathedral City, California 92234.

Basic Financial Statements

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CITY OF CATHEDRAL CITY

Statement of Net Assets

June 30, 2005

| <u>ASSETS</u> | <u>Governmental Activities</u> | <u>Component Unit</u> |
|---|------------------------------------|---------------------------|
| Cash and investments | \$ 71,445,133 | \$ 129,803 |
| Cash and investments with fiscal agen | 13,132,447 | |
| Investment in assessment district deb | 14,955,000 | |
| Accounts receivable | 2,900,979 | 5,688 |
| Interest receivable | 594,619 | |
| Loans receivable | 10,035,818 | |
| Prepays | 120,852 | 6,720 |
| Inventories | 18,018 | |
| Land held for resale | 27,278,123 | |
| Other assets | 1,482,217 | |
| Deposits | 5,130,800 | 2,690 |
| Capital assets: | | |
| Not being depreciated | 27,593,859 | |
| Being depreciated, net | 85,048,462 | 50,068 |
| Total Assets | 259,736,327 | 194,969 |
| <u>LIABILITIES</u> | | |
| Accounts payable | 2,676,320 | 101,730 |
| Accrued liabilities | 557,761 | 13,616 |
| Deposits | 839,750 | 1,419 |
| Due to agency funds | 545,732 | |
| Deferred revenue | 771,227 | |
| Interest payable | 2,148,581 | |
| Noncurrent liabilities | | |
| Current portion of long-term liabilities | 5,922,246 | |
| Long-term liabilities, net of current portion | 144,039,727 | |
| Total Liabilities | 157,501,344 | 116,765 |
| <u>NET ASSETS</u> | | |
| Invested in capital assets, net of related debt | 112,910,687 | 50,068 |
| Restricted for: | | |
| Capital projects | 63,157,773 | |
| Debt service | 9,008,428 | |
| Special projects | 24,999,955 | |
| Other long term assets | 1,482,217 | |
| Unrestricted (deficit) | (109,324,077) | 28,136 |
| Total Net Assets | \$ 102,234,983 | \$ 78,204 |

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Statement of Activities
For the Year Ended June 30, 2005

| Function/Program Activities | Expenses | Program Revenues | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 25,015,231 | \$ 2,664,909 | \$ 693,389 | \$ 44,025 |
| Public works | 2,878,756 | 605,980 | 3,252,573 | |
| Public safety | 15,433,503 | 1,934,407 | 834,441 | 310,266 |
| Community development | 7,129,970 | 74,214 | 17,148 | |
| Payments to other agencies | 6,106,460 | | | |
| Interest and other charges on long-term debt | 6,155,663 | | | |
| Total primary governmental activities | <u>\$ 62,719,583</u> | <u>\$ 5,279,510</u> | <u>\$ 4,797,551</u> | <u>\$ 354,291</u> |
| Component Unit: | | | | |
| Downtown Foundation | <u>\$ 1,426,323</u> | <u>\$ 1,127,558</u> | | |
| Total component unit | <u>\$ 1,426,323</u> | <u>\$ 1,127,558</u> | <u>\$ -</u> | <u>\$ -</u> |
| General Revenues: | | | | |
| Taxes | | | | |
| Franchise fees | | | | |
| Interest | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total General Revenues and Transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets, Beginning, Restated | | | | |
| Net Assets - Ending | | | | |

See Accompanying Notes to Financial Statements.

| Net Revenue (Expense) and Changes in Net Assets | |
|--|-------------------|
| Primary Government | |
| Governmental Activities | Component Unit |
| \$ (21,612,908) | |
| 979,797 | |
| (12,354,389) | |
| (7,038,608) | |
| (6,106,460) | |
| - | |
| (6,155,663) | |
| | |
| (52,288,231) | |
| | |
| | \$ (298,765) |
| | (298,765) |
| | |
| 34,678,025 | |
| 4,146,235 | |
| 2,612,506 | |
| 1,792,982 | 327,300 |
| 12,013,836 | |
| | |
| 55,243,584 | 327,300 |
| | |
| 2,955,353 | 28,535 |
| | |
| 99,279,630 | 49,669 |
| | |
| \$ 102,234,983 | \$ 78,204 |

CITY OF CATHEDRAL CITY
Balance Sheet
Governmental Funds
June 30, 2005

| | | Debt Service | |
|---------------------------------------|---------------|---------------|---------------|
| | | Redevelopment | Public |
| | General | Agency | Financing |
| ASSETS | | Area 3 | Authority |
| Cash and investments | \$ 13,972,051 | \$ 2,910,466 | |
| Cash and investments with fiscal agen | | | \$ 674,724 |
| Investment in assessment district deb | | | 14,955,000 |
| Interest receivable | 158,402 | | |
| Accounts receivable | 1,213,039 | 163,736 | |
| Loans receivable | | | |
| Due from other funds | 1,368,102 | | |
| Advances to other funds | 3,700,847 | | |
| Prepays | 21,025 | | |
| Land held for resale | | | |
| Deposits | | | |
| Total Assets | \$ 20,433,466 | \$ 3,074,202 | \$ 15,629,724 |
| LIABILITIES | | | |
| Accounts payable | \$ 404,352 | \$ 92,750 | |
| Accrued liability: | 510,609 | | |
| Deposits | 113,567 | | |
| Due to other funds | | | |
| Deferred revenue | 12,351 | | \$ 14,955,000 |
| Advances from other funds | | 390,393 | |
| Total Liabilities | 1,040,879 | 483,143 | 14,955,000 |
| FUND BALANCE | | | |
| Reserved for | | | |
| Advances to other funds | 3,700,847 | | |
| Deposits with the court | | | |
| Loan receivable | | | |
| Land held for resale | | | |
| Debt service | | 2,591,059 | 674,724 |
| Domestic violence grant | | | |
| Designated | | | |
| Sales tax | 502,407 | | |
| Unreserved | | | |
| General fund | 15,189,333 | | |
| Special revenue | | | |
| Debt service | | | |
| Unreserved-undesignated | | | |
| Total Fund Balances (Deficits) | 19,392,587 | 2,591,059 | 674,724 |
| Total Liabilities and Fund Balances | \$ 20,433,466 | \$ 3,074,202 | \$ 15,629,724 |

See Accompanying Notes to Financial Statements

| Redevelopment Agency Area 1 | Capital Projects | | Areawide Capital Projects | Nonmajor Funds | Total |
|-----------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|---|
| | 2002 D Housing Bond | 2002 E Housing Bond | | | |
| \$ 2,448,129 | \$ 7,558,015 | \$ 8,910,013 | | \$ 31,982,260 12,457,723 | \$ 67,780,934 13,132,447 14,955,000 |
| 25,623 | 62,655 | 73,868 | | 274,071 | 594,619 |
| 14,488 | | | \$ 400,876 | 1,087,943 | 2,880,082 |
| 308,961 | 76,000 | 5,285,555 | | 4,365,302 | 10,035,818 |
| | | | | | 1,368,102 |
| | | | | 390,393 | 4,091,240 |
| | | | | 99,827 | 120,852 |
| 3,963,399 | 744,088 | | 1,740,089 | 20,830,547 | 27,278,123 |
| 1,083,000 | 3,675,000 | | | 372,800 | 5,130,800 |
| <u>\$ 7,843,600</u> | <u>\$ 12,115,758</u> | <u>\$ 14,269,436</u> | <u>\$ 2,140,965</u> | <u>\$ 71,860,866</u> | <u>\$ 147,368,017</u> |
| | | | | | |
| \$ 113,136 | \$ 124,143 | | \$ 1,099,481 | \$ 822,720 34,451 726,183 | \$ 2,656,582 545,060 839,750 |
| | | | 1,335,328 | 578,506 | 1,913,834 |
| 314,386 | | | 72,090 | 372,400 | 15,726,227 |
| 3,700,847 | | | | | 4,091,240 |
| <u>4,128,369</u> | <u>124,143</u> | | <u>2,506,899</u> | <u>2,534,260</u> | <u>25,772,693</u> |
| | | | | | |
| | | | | 390,393 | 4,091,240 |
| | 3,675,000 | | | 372,800 | 4,047,800 |
| | | | | 4,365,302 | 4,365,302 |
| 3,715,231 | 744,088 | | | 20,830,547 | 25,289,866 |
| | | | | 3,872,531 | 7,138,314 |
| | | | | 52,578 | 52,578 |
| | | | | | 502,407 |
| | | | | | 15,189,333 |
| | | | | 39,442,455 | 39,442,455 |
| | 7,572,527 | \$ 14,269,436 | (365,934) | | 21,476,029 |
| <u>3,715,231</u> | <u>11,991,615</u> | <u>14,269,436</u> | <u>(365,934)</u> | <u>69,326,606</u> | <u>121,595,324</u> |
| <u>\$ 7,843,600</u> | <u>\$ 12,115,758</u> | <u>\$ 14,269,436</u> | <u>\$ 2,140,965</u> | <u>\$ 71,860,866</u> | <u>\$ 147,368,017</u> |

CITY OF CATHEDRAL CITY
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

| | |
|--------------------------------------|----------------|
| Fund balances for governmental funds | \$ 121,595,324 |
|--------------------------------------|----------------|

| | |
|---|-------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets of the internal services funds of \$1,857,731 are included in the internal service adjustment below. | 110,784,590 |
|---|-------------|

| | |
|--|---------------|
| Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Long-term liabilities of the internal service funds of \$3,402,309 are included in the internal service adjustment below. | (146,559,664) |
|--|---------------|

| | |
|---|-------------|
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | (2,148,581) |
|---|-------------|

| | |
|---|-----------|
| Other long-term assets which are not considered available to pay for current expenditures are not reported in the governmental funds. | 1,482,217 |
|---|-----------|

| | |
|---|------------|
| Deferred revenue recognized under full accrual. | 14,955,000 |
|---|------------|

| | |
|---|------------------|
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment maintenance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the Statement of Net Assets. | <u>2,126,097</u> |
|---|------------------|

| | |
|---------------------------------------|------------------------------|
| Net Assets of Governmental Activities | <u><u>\$ 102,234,983</u></u> |
|---------------------------------------|------------------------------|

See Accompanying Notes to Financial Statements.

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CITY OF CATHEDRAL CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

| | | Debt Service | |
|---|----------------------|-----------------------------------|----------------------------------|
| | General | Redevelopment Agency Area 3 | Public Financing Authority |
| Revenues: | | | |
| Taxes | \$ 16,557,181 | \$ 9,817,876 | |
| Fines and forfeitures | 11,283 | | |
| Intergovernmental | 184,626 | | |
| Licenses and permits | 2,166,038 | | |
| Charges for services | 3,362,218 | | |
| Interest | 708,098 | | \$ 62,983 |
| Miscellaneous | 895,530 | | |
| Total Revenues | <u>23,884,974</u> | <u>9,817,876</u> | <u>62,983</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 7,046,932 | | |
| Community development | | 246,187 | |
| Public safety | 14,964,728 | | |
| Public works | 796,267 | | |
| Payments under pass-through agreements | 451,672 | 4,281,198 | |
| Capital outlay | 170,451 | | |
| Debt service: | | | |
| Principal | | | 4,052,000 |
| Interest | 221,831 | 58,232 | 4,867,220 |
| Cost of issuance | | | 429,339 |
| Total Expenditures | <u>23,651,881</u> | <u>4,585,617</u> | <u>9,348,559</u> |
| Excess of Revenues Over (Under) Expenditures | <u>233,093</u> | <u>5,232,259</u> | <u>(9,285,576)</u> |
| Other Financing Sources (Uses): | | | |
| Issuance of debt | | | 10,812,956 |
| Debt refunded | | | (10,383,617) |
| Transfers in | 3,992,242 | | 9,111,314 |
| Transfers out | (1,692,678) | (9,413,365) | (1,591,633) |
| Loan proceeds | | | |
| Total Other Financing Sources (Uses) | <u>2,299,564</u> | <u>(9,413,365)</u> | <u>7,949,020</u> |
| Net Change in Fund Balances | 2,532,657 | (4,181,106) | (1,336,556) |
| Fund Balances, Beginning | <u>16,859,930</u> | <u>6,772,165</u> | <u>2,011,280</u> |
| Fund Balances (Deficits), Ending | <u>\$ 19,392,587</u> | <u>\$ 2,591,059</u> | <u>\$ 674,724</u> |

See Accompanying Notes to Financial Statements.

| Capital Projects | | | | | |
|-----------------------------------|---------------------------|---------------------------|---------------------------------|-------------------|----------------|
| Redevelopment Agency Area 1 | 2002 D Housing Bond | 2002 E Housing Bond | Areawide Capital Projects | Nonmajor Funds | Total |
| | | | | \$ 8,302,968 | \$ 34,678,025 |
| | | | | | 11,283 |
| | | | \$ 635,822 | 3,379,680 | 4,200,128 |
| | | | 33,752 | 323,982 | 2,523,772 |
| \$ 193,350 | | | | 686,945 | 4,242,513 |
| 82,349 | \$ 440,861 | \$ 187,079 | 1,694 | 1,129,442 | 2,612,506 |
| 76,628 | | | 1,465 | 948,018 | 1,921,641 |
| 352,327 | 440,861 | 187,079 | 672,733 | 14,771,035 | 50,189,868 |
| | | | | 788,471 | 7,835,403 |
| 60,285 | 2,758,747 | | | 4,064,751 | 7,129,970 |
| | | | | 468,775 | 15,433,503 |
| | | | | 1,329,424 | 2,125,691 |
| | | | | 1,373,590 | 6,106,460 |
| 406,437 | 3,502,890 | 2,431 | 4,445,637 | 7,614,356 | 16,142,202 |
| | | | | 85,825 | 4,137,825 |
| | | | 24,597 | 432,277 | 5,604,157 |
| | | | | 660,738 | 1,090,077 |
| 466,722 | 6,261,637 | 2,431 | 4,470,234 | 16,818,207 | 65,605,288 |
| (114,395) | (5,820,776) | 184,648 | (3,797,501) | (2,047,172) | (15,415,420) |
| | | | | 29,859,061 | 40,672,017 |
| | | | | (16,924,539) | (27,308,156) |
| 1,014,283 | | | | 23,498,043 | 37,615,882 |
| | | | (435) | (14,721,841) | (27,419,952) |
| | | | 2,753,000 | 330,000 | 3,083,000 |
| 1,014,283 | | | 2,752,565 | 22,040,724 | 26,642,791 |
| 899,888 | (5,820,776) | 184,648 | (1,044,936) | 19,993,552 | 11,227,371 |
| 2,815,343 | 17,812,391 | 14,084,788 | 679,002 | 49,333,054 | 110,367,953 |
| \$ 3,715,231 | \$ 11,991,615 | \$ 14,269,436 | \$ (365,934) | \$ 69,326,606 | \$ 121,595,324 |

CITY OF CATHEDRAL CITY
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

| | |
|--|---------------|
| Net change in fund balances - total governmental funds | \$ 11,227,371 |
|--|---------------|

Amounts reported for governmental activities in the Statement of Activities
are different because:

| | |
|--|-----------|
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by capital outlay exceeded depreciation and retirements. | 5,268,320 |
|--|-----------|

| | |
|---|--------------|
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. | (13,323,023) |
|---|--------------|

| | |
|--|-----------|
| Reversal of prior year deferred revenue. | (339,584) |
|--|-----------|

| | |
|--|--|
| Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. Internal service funds are reported with governmental activities. | <div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">122,269</div> |
|--|--|

| | |
|---|---|
| Change in Net Assets of Governmental Activities | <div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 2,955,353</div> |
|---|---|

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Proprietary Funds
Statement of Net Assets
June 30, 2005

| | Governmental Activities Internal Service Funds |
|---------------------------------|---|
| Current Assets: | |
| Cash and investments | \$ 3,664,199 |
| Accounts receivable | 20,897 |
| Inventories | <u>18,018</u> |
| Total Current Assets | <u>3,703,114</u> |
| Capital Assets: | |
| Vehicles | 5,530,778 |
| Accumulated depreciation | <u>(3,673,047)</u> |
| Total Capital Assets, net | <u>1,857,731</u> |
| Total Assets | <u>5,560,845</u> |
| Current Liabilities | |
| Accounts payable | 19,738 |
| Accrued liabilities | 12,701 |
| Claims payable | 3,128,375 |
| Capital lease payable - current | <u>144,736</u> |
| Total Current Liabilities | <u>3,305,550</u> |
| Noncurrent Liabilities | |
| Capital lease payable | <u>129,198</u> |
| Total Noncurrent Liabilities | <u>129,198</u> |
| Total Liabilities | <u>3,434,748</u> |
| Net Assets: | |
| Invested in capital assets | 1,857,731 |
| Unrestricted | <u>268,366</u> |
| Total Net Assets | <u><u>\$ 2,126,097</u></u> |

See Accompanying Notes to Financial Statements

CITY OF CATHEDRAL CITY
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
June 30, 2005

| | Governmental Activities Internal Service Funds |
|--|---|
| Operating Revenues: | |
| Charges for services | \$ 3,662,052 |
| Total Operating Revenues | <u>3,662,052</u> |
| Operating Expenses: | |
| Benefits | 3,034,533 |
| Repairs, maintenance, and insurance | 1,879,004 |
| Capital outlay | 60,870 |
| Depreciation | <u>469,077</u> |
| Total Operating Expenses | <u>5,443,484</u> |
| Operating Income (Loss) | <u>(1,781,432)</u> |
| Nonoperating Revenues (Expenses): | |
| Miscellaneous revenue | 45,939 |
| Interest expense | 11,375 |
| Gain on sale of assets | <u>28,482</u> |
| Total Nonoperating Revenues (Expenses) | <u>85,796</u> |
| Operating Income (Loss) Before Transfer | (1,695,636) |
| Transfers in | <u>1,817,905</u> |
| Change in Net Assets | 122,269 |
| Net Assets, Beginning | <u>2,003,828</u> |
| Net Assets, Ending | <u><u>\$ 2,126,097</u></u> |

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Proprietary Funds
Statement of Cash Flows
June 30, 2005

| | Governmental Activities Internal Service Funds |
|--|---|
| Cash flows from operating activities: | |
| Cash received from other customers | \$ 3,641,481 |
| Cash payments to suppliers for goods and services | <u>(4,272,688)</u> |
| Net cash provided by (used in) operating services | <u>(631,207)</u> |
| Cash flows from noncapital financing activities: | |
| Transfers in | <u>1,817,905</u> |
| Cash flows from capital and related activities: | |
| Purchase of capital assets | (750,194) |
| Donated capital assets | 32,000 |
| Gain on sale of capital assets | 28,482 |
| Proceeds from loans | <u>159,900</u> |
| Net cash flows from capital and related financing activities | <u>(529,812)</u> |
| Cash flows from investing activities: | |
| Interest paid on investments | <u>11,375</u> |
| Net increase (decrease) in cash and cash equivalents | 668,261 |
| Cash and cash equivalents at beginning of year | <u>2,995,938</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 3,664,199</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income (loss) | \$ (1,927,393) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 469,077 |
| Adjustments: | |
| (Increase) decrease in accounts receivable | (20,571) |
| (Increase) decrease in inventories | (8,665) |
| Increase (decrease) in claims payable | 899,833 |
| Increase (decrease) in accounts payable | <u>(43,488)</u> |
| Net cash provided by (used for) operating activities | <u><u>\$ (631,207)</u></u> |

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Statement of Net Assets
Fiduciary Funds
June 30, 2005

Assets

| | |
|---|---------------------------------|
| Cash and investments | \$ 6,060,283 |
| Cash and investments with fiscal agents | 4,842,165 |
| Interest receivable | 60,914 |
| Due from other funds | 545,732 |
| Special assessments | <u>22,234,958</u> |
| Total Assets | <u><u>\$ 33,744,052</u></u> |

Liabilities

| | |
|-----------------------|---------------------------------|
| Accounts payable | \$ 2,618 |
| Due to bondholders | <u>33,741,434</u> |
| Total Liabilities | <u><u>\$ 33,744,052</u></u> |

See Accompanying Notes to Financial Statements.

CITY OF CATHEDRAL CITY
Notes to Financial Statements
June 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Cathedral City was incorporated under the general laws of the State of California and enjoys all the rights and privileges pertaining to such “General Law” cities. The City operates under a Council-Manager form of government and the City Council is composed of five members. Among the services provided by the City are the following: public works, parks and recreation, planning, community development, and fire and law enforcement services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e. it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statements to be misleading or incomplete.

1. Blended Component Units

City of Cathedral City Redevelopment Agency, Cathedral City Public Improvement Corporation, and the Cathedral City Public Financing Authority component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are reported with the interfund data of the City.

City of Cathedral City Redevelopment Agency – The City of Cathedral City Redevelopment was established pursuant to the State of California Health and Safety Code, Section 33000 entitled “Community Redevelopment Law.” Its purpose is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City of Cathedral City. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Separate financial statements of the Agency can be obtained at City Hall.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

Cathedral City Public Improvement Corporation – The Cathedral City Public Improvement Corporation was formed solely for the benefit of the City of Cathedral City in financing public improvements of the City. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Public Improvement Corporation. Separate financial statements are not prepared for the Corporation because it has no activity to report.

Cathedral City Public Financing Authority – The Cathedral City Public Financing Authority was established on December 1, 1993 for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Cathedral City does not produce separate financial statements for the Authority.

2. Discretely Presented Component Unit

The following component unit is reported in a separate column in the government-wide statement of net assets to emphasize its legal separation from the City.

The Cathedral City Downtown Foundation (Foundation) was incorporated on December 20, 2000 as a Nonprofit Public Benefit Corporation. The purpose of this corporation is to operate educational facilities and/or attractions in the City of Cathedral City Downtown Area, to instruct the public on subjects useful to the individual and beneficial to the community, and to encourage and raise monetary and/or in lieu contributions via gifts, endowments and bequests for the purpose of enhancing and/or improving those services, facilities, and equipment currently provided by the IMAX Theater located in the City of Cathedral City.

The Foundation is included as a discretely presented component unit of the City, as the City appoints the governing board and approves the Foundation's budget. Separate financial statements are not available for the Foundation.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until paid.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charges to customers within the primary government for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then use unrestricted resources as needed.

The City reports the following major funds:

General Fund – This is the general operating fund of the City. It is used to account for financial resources except those required to be accounted for in another funds.

Redevelopment Agency Area 3 Debt Service Fund – The fund is used to repay principal and interest long-term indebtedness.

Public Financing Authority – The fund is used to account for revenues and proceeds of debt service. The fund is used to repay principal and interest.

Redevelopment Agency Area 1 Capital Projects Fund – Accounts for the acquisition, improvement, and rehabilitation of property within Project Area 1.

2002 D TAB Housing Bond Fund – These funds are used to account for financial resources to be used for the development projects within the City.

2002 E TAB Housing Bond Fund – These funds are used to account for financial resources to be used for the development projects within the City.

Areawide Capital Projects Fund – Accounts for City-wide capital projects not otherwise budgeted in another fund.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

Additionally the City reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

Debt Service Funds – Debt Service Funds are used to account for tax increment revenues, bond proceeds required to be set aside for future debt service, and related interest income. The funds are used to repay principal and interest on long-term indebtedness of the City, Public Improvement Corporation, Redevelopment Agency, Public Financing Authority, and limited obligation special assessment debt.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the development and redevelopment projects within the City. Such projects include street improvements, parks, and Redevelopment Agency activity.

Proprietary Funds

Enterprise Funds – The Enterprise Fund accounts for the operation of the Cathedral City Downtown Foundation which is reported as a discrete component unit.

Internal Service Funds – Internal Service Funds are used to finance and account for the purchase of motor vehicles and the related maintenance and insurance expense and to account for the cost of liability insurance. Such costs are accumulated in these funds and charged to the user departments on an estimated cost-reimbursement basis or through transfers.

Fiduciary Funds

Agency Funds – These funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Investments are stated at fair value (quoted market price or best available estimate thereof). Changes in fair value that occur during a fiscal year all recognized as investment income reported for that fiscal year.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income, earned by the pooled investments, is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City of Cathedral City.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, traffic signals, drainage systems, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated life in excess of 1 year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|------------|
| Buildings | 45 years |
| Improvements other than buildings | 45 years |
| Machinery and equipment | 5-10 years |
| Infrastructure | 8-60 years |

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

4. Land Held for Resale

The Agency purchased land within the Agency's project area. The land held for resale is recorded in the Redevelopment Agency Special Revenue Fund as property held for resale, at the lower of acquisition cost or net realizable value. At June 30, 2005 the cost of property held for resale for various housing and other projects in Cathedral City totaled \$27,278,123.

5. Employee Compensated Absences

Permanent City employees earn from 12 to 31 vacation days a year, depending upon their length of employment. Employees can carry forward up to 24 days in earned but unused vacation days and 120 sick leave days for use in the subsequent year.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave. Effective July 1, 1987 employees with continuous employment of three years and up to seven years may receive compensation for 25% of unused sick leave when they resign or retire as governed by the MOU.

Employees with continuous employment of greater than seven years may receive compensation for 50% of sick leave when they resign or retire. The City has utilized the vesting method to record the estimated portion of sick leave balances that are likely to be paid immediately following the employee's resignation or retirement.

If material, a proprietary fund type liability is accrued for the leave benefits relating to the operations of the proprietary funds. A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental funds employees that have terminated prior to year end. All other amounts are recorded in the long-term debt. These noncurrent amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

6. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas prescribed by state statutes. Accordingly, the City of Cathedral City accrues only those taxes which are received within 60 days after year end.

| | |
|------------|-----------|
| Lien Date: | January 1 |
| Levy Date: | July 1 |

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

| | |
|------------------|---|
| Due Date: | November 1 – 1 st Installment |
| | March 1 – 2 nd Installment |
| Delinquent Date: | December 10 – 1 st Installment |
| | April 10 – 2 nd Installment |

Taxes are collected by Riverside County and are remitted to the City periodically. Dates and percentages are as follows:

| | |
|----------|------------------|
| December | 30% Advance |
| January | Collection No. 1 |
| April | 10% Advance |
| May | Collection No. 2 |
| July | Collection No. 3 |

The City accrues only those taxes which are received within sixty days after the year end. The City is a participant in the Teeter plan under the California Revenue and Taxation Code. The County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

7. Enrollment in Group Insurance Plans – Post Retirement

Employees retiring from the City, who are taking a qualified retirement under the PERS system, and have at least five years service with the City, who have reached at least age 55, or age 50 for public safety, may elect within two months after retirement to participate in such group health insurance policies as are provided by the City. The cost of such insurance coverage, which the City chooses from time to time, is determined by the employee's negotiated memorandum of understanding at the time of retirement.

As permitted by law, the City's health insurance policy shall become secondary to any applicable federal or state government health programs as soon as the retired employee becomes eligible, or the retired employee reaches age 65, whichever comes first.

City employees retiring under the PERS Retirement Program with five (5) years of continuous employment with the City can, at their own expense, pay for the group life insurance.

8. Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. Claims incurred but not reported are recorded as a liability when the liability has been incurred or an asset has been impaired and the amounts can be reasonably determined. Liability for general liability claims is recorded in the internal service fund that

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

accounts for the City's general liability activities. Liabilities for workers compensation is recorded in the liability insurance fund.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, Compliance and Accountability

A. Budgetary Data

The City of Cathedral City adopts an annual budget prepared on the modified accrual basis for the general fund, certain special revenue funds, and certain debt service funds. The City Manager and Director of Finance prepare and submit the annual budget to City Council and administer it after adoption. The Director of Finance is authorized to adjust appropriations within each department, provided that the total activity does not exceed the amounts approved in the budget for any amending resolutions. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. Unexpended appropriations for authorized, but uncompleted projects in the Capital Improvement's budget can be carried forward to the next succeeding budget upon approval of the City Manager or the Director of Finance. For each fund, total expenditures may not legally exceed total appropriations. During the year, several supplementary appropriations were necessary. Individual amendments were not material in relation to the original appropriations.

Appropriations Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2005, proceeds of taxes did not exceed appropriations.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

B. Deficit Fund Balances/Net Assets

| | |
|-----------------------------------|--------------|
| Areawide Capital Projects Fund | \$ (365,934) |
| Special Revenue Funds | |
| Community Development Block Grant | (32,744) |
| Internal Service Fund | |
| Liability Insurance Fund | (129,754) |

These deficit balances will be eliminated through future revenues.

C. Expenditures in Excess of Appropriations

The following funds exceeded appropriated expenditures by the following:

| | |
|-----------------------------------|-----------|
| Master Underground Plan | \$ 19,614 |
| Traffic Safety | 19,726 |
| Community Development Block Grant | 289,184 |
| State Gas Tax | 5,388 |
| Air Quality Improvement | 1,607 |
| Solid Waste | 45,977 |
| Police Grant | 226,319 |
| Police Donations | 92,464 |
| Fire Donations | 42,440 |
| Telecommunications | 7,857 |
| Landscape and Lighting District | 40,260 |
| Measure A | 305,317 |

III Detailed Notes on All Funds

A. Cash and Investments

At June 30, 2005, cash and investments were reported in the accompanying financial statements as follows:

| | |
|----------------------------|-----------------------------|
| Governmental activities | \$ 84,577,580 |
| Component unit | 129,803 |
| Agency funds | <u>10,902,448</u> |
| Total Cash and Investments | <u><u>\$ 95,609,831</u></u> |

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

Cash and investments as of June 30, 2005 consist of the following:

| | |
|--------------------------------------|-----------------------------|
| Cash on hand | \$ 6,753 |
| Deposits with financial institutions | 19,020,896 |
| Investments | <u>76,582,182</u> |
| Total Cash and Investments | <u><u>\$ 95,609,831</u></u> |

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio*</u> | <u>Maximum Investment in One Issuer</u> |
|-------------------------------------|-------------------------|---|---|
| U.S. Agency Securities | 5 years | 80% | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Medium-Term Notes | 5 years | 30% | 5% |
| Local Agency Investment Fund (LAIF) | N/A | 80% | 40 Million |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | N/A | 30% | None |

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio*</u> | <u>Maximum Investment in One Issuer</u> |
|-------------------------------------|-----------------------------|---|---|
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| U.S. Agency Securities | 5 years | None | None |

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

| <u>Investment Type</u> | <u>Remaining Maturity (in Months)</u> | | |
|------------------------------|---------------------------------------|----------------------------|-----------------------------|
| | <u>12 Months or Less</u> | <u>13 to 24 Months</u> | <u>25 to 60 Months</u> |
| Federal agency securities | \$ 40,345,049 | \$ 2,937,521 | \$ 13,787,290 |
| Corporate medium term notes | 1,949,020 | 983,640 | 965,380 |
| Local agency investment fund | <u>34,288,113</u> | <u>34,288,113</u> | <u> </u> |
| Total | <u>\$ 76,582,182</u> | <u>\$ 37,225,634</u> | <u>\$ 14,770,930</u> |
| | | | <u>\$ 24,585,618</u> |

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following presentation is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

| Investment Type | | Minimum Rating | Exempt from Rating | Rating as of Year End | | |
|------------------------------|----------------------|-------------------|-----------------------|-----------------------|-------------------|-------------------|
| | | | | AAA/AAA | AA3/A+ | A1/AA- |
| Federal agency securities | \$ 40,345,049 | N/A | | \$ 40,345,049 | | |
| Corporate medium term notes | 1,949,020 | A | | | \$ 965,380 | \$ 983,640 |
| Local agency investment fund | 34,288,113 | N/A | \$ 34,288,113 | | | |
| | <u>\$ 76,582,182</u> | | <u>\$ 34,288,113</u> | <u>\$ 40,345,049</u> | <u>\$ 965,380</u> | <u>\$ 983,640</u> |

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

| Issuer | Investment Type | Reported Amount |
|---------------------------------|---------------------------|-----------------|
| FNMA | Federal agency securities | \$ 6,852,237 |
| Federal Home Loan Bank | Federal agency securities | 28,547,367 |
| Federal Home Loan Mortgage Corp | Federal agency securities | 2,977,320 |
| Federal Farm Credit Bank | Federal agency securities | 1,968,125 |

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments. As of June 30, 2005, City investments in the following investment types were held by the safekeeping department of Union Bank, Wells Fargo Bank, UBS Financial Services, and Wachovia Securities:

| <u>Investment Type</u> | <u>Reported Amount</u> |
|-----------------------------|----------------------------|
| Federal agency securities | \$ 40,345,049 |
| Corporate medium term notes | 1,949,020 |

Local Agency Investment Fund (LAIF):

The LAIF is a voluntary program created by statute in 1977 as an investment alternative through which local governments may pool investments. The LAIF has oversight by the Local Agency Investment Advisory Board, which consists of five members as designated by state statute. Each city may invest up to \$30,000,000 each in the Fund for the city and redevelopment agency and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest.

B. Receivables

| | <u>Interest</u> | <u>Accounts</u> | <u>Loans</u> |
|-----------------------------|-------------------|---------------------|----------------------|
| General Fund | \$ 158,402 | \$ 1,213,039 | |
| Debt Service: | | | |
| Redevelopment agency Area 3 | | 163,736 | |
| Capital Projects | | | |
| Redevelopment Agency Area 1 | 25,623 | 14,488 | \$ 308,961 |
| Redevelopment Agency Area 3 | 62,655 | | 76,000 |
| 2002 D Housing Bond | 73,868 | | 5,285,555 |
| 2002 E Housing Bond | | 400,876 | |
| Nonmajor governmental funds | <u>274,071</u> | <u>1,087,943</u> | <u>4,365,302</u> |
| Total Governmental Funds | <u>\$ 594,619</u> | <u>\$ 2,880,082</u> | <u>\$ 10,035,818</u> |

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

Loans Receivable

In March 1997, the City agreed to loan Big League Dreams Sports, LLC, an amount not to exceed \$4,400,000 under an agreement to develop a Sports Park Complex in the City of Cathedral City. As of June 30, 2005, the balance on the loan was \$4,018,694. The loan is being repaid based on the debt service payments due on the 1997 Taxable Lease Revenue Bonds commencing June 1, 1998. The loan is secured by a deed of trust on the Sports Complex.

On May 1, 2003, the Redevelopment Agency of the City of Cathedral City entered into an Owner Participation Agreement (Agreement) with Southern California Housing Development Corporation (SCHDC). In connection with the Agreement, SCHDC executed a promissory note not to exceed \$1,000,000 secured by a deed of trust. The amounts due under this note shall accrue no interest, and shall be repaid on an annual basis from fifty percent of the project's residual receipts. For purposes of this note, the "loan term" shall be the period ending thirty years from the date that the Certificate of Completion is issued by the Redevelopment Agency of the City of Cathedral City. The loan amount outstanding at June 30, 2005 was \$785,555.

On November 1, 2002, the Redevelopment Agency of the City of Cathedral City entered into an Owner Participation Agreement (Agreement) with Cathedral/Creekside, L.P. In connection with the Agreement, Cathedral/Creekside, L.P. executed a promissory note not to exceed \$1,800,000, secured by a deed of trust. The amounts due under this note shall accrue no interest, and shall be repaid on an annual basis from fifty percent of the project's residual receipts. For purposes of this note, the "loan term" shall be the period ending thirty years from the date that the Certificate of Completion is issued by the Redevelopment Agency of the City of Cathedral City or thirty days after the maturity date of the obligations, if sold or issued; provided, however, that in no event shall the term exceed thirty three years. The loan amount outstanding at June 30, 2005 was \$1,800,000.

In December 2002 and amended in June 2004, the Redevelopment Agency of the City of Cathedral City and Cathedral City Heritage Park, L.P. entered into an Owner Participation Agreement (OPA) for the development of a 153 unit senior housing complex. The OPA provided for Agency assistance in order to assist the Participating Owner in the development of the project with a Loan in the amount of \$2,700,000 carrying a simple interest rate of five percent (5 %) per annum and shall be repaid from the Residual Receipts of the project. The loan outstanding principal balance as of June 30, 2005 was \$2,700,000.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

In June 2003, the Redevelopment Agency of Cathedral City sold property held in its Land Held for Resale account to Roberta's Limited Partnership. The sale included a Promissory Note in the amount of \$361,714 bearing an interest rate of four and a quarter percent (4.25%). Roberta's Partnership has made monthly installment payments of \$3,705 including principal and interest through June 30, 2005. The Principal balance outstanding as of June 30, 2005 was \$308,961.

The City has various other loans totaling \$422,608.

C. Interfund Receivables, Payables and Transfers

Due to/from other funds:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|-----------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 1,368,102 | |
| Areawide Capital Projects Fund | | \$ 1,335,328 |
| Nonmajor funds | | 578,506 |
| Assessment Districts Agency Funds | <u>545,732</u> | |
| | <u>\$ 1,913,834</u> | <u>\$ 1,913,834</u> |

Advances to/from other funds:

| | <u>Advances to Other Funds</u> | <u>Advances from Other Funds</u> |
|-----------------------------|------------------------------------|--------------------------------------|
| General Fund | \$ 3,700,847 | |
| Debt Service Fund: | | |
| Redevelopment Agency Area 3 | | \$ 390,393 |
| Capital Projects Fund: | | |
| Redevelopment Agency Area 1 | | 3,700,847 |
| Nonmajor funds | <u>390,393</u> | |
| Totals | <u>\$ 4,091,240</u> | <u>\$ 4,091,240</u> |

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

Interfund Transfers:

| Transfers In: | Transfers Out | | | | | | Total All Funds |
|------------------------------------|-----------------|---------------------------------------|--|----------------------------------|--------------------------------|-----------------|--------------------|
| | General Fund | RDA Area 3 Debt Service Fund | Areawide Capital Project Fund | Public Financing Authority | Other Governmental Funds | Agency Funds | |
| General Fund | | | | | \$ 3,905,676 | \$ 86,566 | \$ 3,992,242 |
| Public Financing Authority | | | | | 6,937,150 | 2,174,164 | 9,111,314 |
| RDA Area 1 Capital Project Fund | | | | | 1,014,283 | | 1,014,283 |
| Other Governmental Funds | \$ 307,541 | \$ 9,363,075 | \$ 435 | \$ 2,268 | 2,204,898 | 11,619,826 | 23,498,043 |
| Total Primary Government | 307,541 | 9,363,075 | 435 | 2,268 | 14,062,007 | 13,880,556 | 37,615,882 |
| Internal Service Funds | 1,385,137 | 50,290 | | | 382,478 | | 1,817,905 |
| Agency Funds | | | | 1,589,365 | 277,356 | 519,502 | 2,386,223 |
| Total All Funds | \$ 1,692,678 | \$ 9,413,365 | \$ 435 | \$ 1,591,633 | \$ 14,721,841 | \$ 14,400,058 | \$ 41,820,010 |

Transfers were used to:

1. Reimburse the General Fund for salaries, benefits and supplies paid from the General Fund for services benefiting other funds.
2. Adjust Redevelopment Agency Funds to expense projects in the correct funds.
3. Transfer special assessments to the capital improvement funds to fund projects specified by the Official Statement for the bonds.
4. Transfer funds from various debt service funds to the Public Finance Authority for debt service payments as they became due.
5. Transfer fiscal agent cash to the appropriate funds with the issuance of refunding bond 2004 TAB Series "A" per the Official Statement.
6. Allocate insurance costs from the Insurance Fund (Internal Service Fund) to the appropriate funds utilizing the services.
7. Provide funding from Special Revenue Funds to the Equipment Replacement Fund (Internal Service Fund) to purchase equipment as authorized.
8. Reimburse the General Fund for soft costs as authorized by the Official Statement for the 2004 TAB Series "B" bond.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

D. Capital Assets

A summary of changes in capital assets at June 30, 2005 is as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|----------------------|--------------|-------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,962,917 | \$ 201,444 | | \$ 18,164,361 |
| Construction in progress | 2,713,033 | 6,716,465 | | 9,429,498 |
| Total capital assets, not being depreciated | 20,675,950 | 6,917,909 | | 27,593,859 |
| Capital assets being depreciated: | | | | |
| Buildings | 31,274,218 | 105,064 | | 31,379,282 |
| Improvements other than buildings | | | | |
| Equipment | 2,188,723 | 89,946 | | 2,278,669 |
| Vehicles | 5,131,362 | 781,132 | \$ 381,714 | 5,530,780 |
| Furniture and fixtures | 1,009,849 | 16,545 | | 1,026,394 |
| Infrastructure | 82,929,744 | 1,122,086 | | 84,051,830 |
| Total capital assets, being depreciated | 122,533,896 | 2,114,773 | 381,714 | 124,266,955 |
| Less accumulated depreciation: | | | | |
| Buildings | (4,687,140) | (697,318) | | (5,384,458) |
| Improvements other than buildings | | | | |
| Equipment | (1,228,230) | (224,174) | | (1,452,404) |
| Vehicles | (3,583,183) | (469,077) | 379,211 | (3,673,049) |
| Furniture and fixtures | (795,501) | (144,848) | | (940,349) |
| Infrastructure | (25,851,343) | (1,916,890) | | (27,768,233) |
| Total accumulated depreciation | (36,145,397) | (3,452,307) | 379,211 | (39,218,493) |
| Total capital assets, being depreciated | 86,388,499 | (1,337,534) | (2,503) | 85,048,462 |
| Governmental activities capital assets, net | \$ 107,064,449 | \$ 5,580,375 | \$ (2,503) | \$ 112,642,321 |
| Component Unit: | | | | |
| Depreciable assets: | | | | |
| Equipment | \$ 38,130 | \$ 36,015 | \$ | \$ 74,145 |
| Less accumulated depreciation: | | | | |
| Equipment | (13,213) | (10,864) | | (24,077) |
| Component unit | \$ 24,917 | \$ 25,151 | \$ - | \$ 50,068 |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|---------------------|
| General government | \$ 2,230,165 |
| Public works | 1,222,142 |
| Total Depreciation Expense | <u>\$ 3,452,307</u> |

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

E. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2005 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|--|-----------------------|----------------------|------------------------|----------------------------|----------------------------------|
| Governmental activities: | | | | | |
| Bonds, loans and capital leases payable: | | | | | |
| Certificates of participation | \$ 1,590,000 | | \$ (235,000) | \$ 1,355,000 | \$ 245,000 |
| Lease bonds payable | 5,450,000 | | (85,000) | 5,365,000 | 90,000 |
| Tax allocation | 99,701,000 | \$ 30,015,000 | (17,815,000) | 111,901,000 ⁽¹⁾ | 2,700,000 |
| Revenue bonds payable | 11,835,000 | | (11,835,000) | | |
| Limited obligation bond | | 15,525,000 | | 15,525,000 ⁽²⁾ | 1,374,562 |
| Capital leases | 309,574 | 2,913,500 | (153,440) | 3,069,634 | |
| Long-term loans and notes payable | 8,281,229 | 237,493 | (222,606) | 8,296,116 | |
| Subtotal | <u>127,166,803</u> | <u>48,690,993</u> | <u>(30,346,046)</u> | <u>145,511,750</u> | <u>4,409,562</u> |
| Other liabilities: | | | | | |
| Compensated absences | 1,728,493 | 1,827,698 | (1,512,684) | 2,043,507 | 1,512,684 |
| Claims and judgments (Note IV B) | <u>2,228,542</u> | <u>899,833</u> | | <u>3,128,375</u> | |
| Total other liabilities | <u>3,957,035</u> | <u>2,727,531</u> | <u>(1,512,684)</u> | <u>5,171,882</u> | <u>1,512,684</u> |
| Total governmental activities long-term liabilities | <u>\$ 131,123,838</u> | <u>\$ 51,418,524</u> | <u>\$ (31,858,730)</u> | <u>\$ 150,683,632</u> | <u>\$ 5,922,246</u> |
| Component Unit: | | | | | |
| Notes payable | <u>\$ 9,000</u> | | <u>\$ (9,000)</u> | | |
| Business type activities long-term liabilities | <u>\$ 9,000</u> | <u>\$ -</u> | <u>\$ (9,000)</u> | <u>\$ -</u> | <u>\$ -</u> |

⁽¹⁾ Excludes bond discount of \$665,608 which is reported in the Statements of Net Assets. Excludes bond discount of \$158,505 and premium of \$22,263 which is reported in statement of Net Assets.

⁽²⁾ Excludes bond premium of \$80,191 which is reported in Statement of Net Assets.

1. Certificates of Participation

Series 1996 Refunding Lease Revenue Bonds

The Certificates totaling \$2,945,000 were issued on August 1, 1996 by the Cathedral City Public Financing Authority with principal due annually on August 1, in amounts ranging from \$150,000 to \$350,000 and interest payable semi-annually on August 1 and February 1, at interest rates ranging from 4.20% to 5.10%. The amount outstanding at June 30, 2005 was \$1,355,000.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

The proceeds from the Certificates were used to refund the Series 1986 Certificates of Participation and the Series 1987 Certificates of Participation (Prior Certificates). The funds to be used to refund the Prior Certificates were used to purchase U.S. Government Securities held in an escrow account. The Government Securities together with other reserves were used to prepay the Series 1986 Certificates on February 1, 1997 at a prepayment price of 102% of the principal amount then outstanding and to prepay the 1987 Certificates on February 1, 1997 at a prepayment price of 102% of the principal amount then outstanding.

Pursuant to a lease agreement between the City of Cathedral City (City) as lessee, and Cathedral City Public Financing Authority, as lessor, the City is required to make lease payments in consideration of the use and occupancy of the projects funded by the 1986 Series Certificates and the 1987 Series Certificates.

Under the terms of the issue, \$294,500 must be set aside in reserve funds, which represented the initial deposit in the reserve fund upon issuance of the Certificates. At June 30, 2005, actual reserve amount was \$297,095. In addition to the reserve account, pursuant to the lease agreement the City has elected to further secure the payment of the lease payments by providing a mechanism by which the State Controller will make the lease payment directly to the trustee from motor vehicle licensing fees to which the City is entitled pursuant to Sections 11001-11005 of the California Revenue and Taxation Code excluding the portion allocated to the City which is transferred to counties for certain health and welfare programs.

2. Lease Bonds Payable

On March 31, 1997, the Cathedral City Public Financing Authority issued the 1997 Taxable Lease Revenue Bonds (Bonds) in the amount of \$5,920,000. The proceeds from the Bonds were loaned to the City of Cathedral City (City). The City used the proceeds from the loan to make a construction loan to Big League Dreams Sports, LLC for the construction of a Sports Complex in the City. Principal payments are due annually from August 1, 1999 through August 1, 2027 in amounts ranging from \$180,000 to \$475,000 with interest due semi-annually each February 1 and August 1 at rates ranging from 6.95% to 7.875%. The reserve requirement is an amount equal to the lesser of the maximum annual debt service or the maximum amount permitted to be deposited in the reserve account. At June 30, 2005, the reserve requirement was \$592,000. The amount held in reserve was \$592,000 at June 30, 2005. The amount outstanding at June 30, 2005 was \$5,365,000

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

3. Tax Allocation Bonds Payable

- a. On November 1, 1995, the Public Financing Authority of the City of Cathedral City (a component unit of the City of Cathedral City) issued \$34,695,000 of Tax Allocation Revenue Bonds, 1995 Series A. The proceeds were loaned to the Cathedral City Redevelopment Agency. A portion of these proceeds, \$15,519,005, were used to purchase state and local government securities that were deposited in a trust with an escrow agent to provide for all future debt service payments on \$14,700,000 of outstanding tax allocation bonds of the Cathedral City Redevelopment Agency. As a result, all of the previous tax allocation bonds of the Agency are considered defeased.

The \$34,695,000 Cathedral City Public Financing Authority 1995 Tax Allocation Revenue Bonds, Series A; issued November 1, 1995; \$14,915,000 mature serially through August 1, 2009 in annual installments ranging from \$805,000 to \$1,380,000 at interest rates of 4.00% to 5.25%; \$3,840,000 are term bonds maturing on August 1, 2013 subject to mandatory annual sinking fund requirements ranging from \$885,000 to \$1,035,000; \$4,730,000 are term bonds maturing on August 1, 2017 subject to mandatory annual sinking fund requirements ranging from \$1,085,000 to \$1,280,000; \$11,210,000 are term bonds maturing on August 1, 2024 subject to mandatory annual sinking fund requirements ranging from \$1,350,000 to \$1,880,000; secured by loan agreements from the Agency which are secured by a pledge of tax increment revenues. Outstanding balance at June 30, 2005

\$10,415,000

- b. In April 2000, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued \$12,311,000 of Tax Allocation Revenue Bonds, Series A (Senior Bonds) and \$3,815,000 Subordinate Tax Allocation Revenue Bonds, Series B (Subordinate Bonds). The proceeds were loaned to the Cathedral City Redevelopment Agency to assist in the financing and acquisition of capital improvements in the Agency's Merged Project Area.

The \$12,311,000 Tax Allocation Revenue Bonds, Series A consists of \$4,000,000 Serial Current Interest Bonds which mature serially through August 1, 2015 in annual installments ranging from \$30,000 to \$700,000 at interest rates of 4.10% to

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

- 5.50%; \$2,320,000 Term Bonds maturing August 1, 2018 subject to mandatory sinking fund requirements ranging from \$730,000 to \$820,000; \$3,770,000 Term Bonds maturing August 1, 2022 subject to mandatory sinking fund requirements ranging from \$860,000 to \$1,025,000; and \$2,221,000 in Capital Appreciation Bonds accruing interest at a range of 6.0% to 6.15% with final accreted value payable annually in installments ranging from \$1,075,000 to \$1,085,000 commencing August 1, 2023 through August 1, 2033. Outstanding balance at June 30, 2005 12,186,000
- c. On December 10, 2002, the Public Financing Authority (a component unit of the City of Cathedral City) issued \$24,220,000 of Tax Allocation Revenue Bonds, 2002 Series A. The proceeds were loaned to the Cathedral City Redevelopment Agency. The proceeds of the bonds were applied as follows: (a) to refund certain subordinate tax allocation revenue bonds issued by the Authority in 2000, (b) construction and acquisition of certain capital improvements which are located in the Agency's Merged Project Area and Project Area No. 3, (c) funding the premium for a reserve fund surety bond. As a result, the 2000 Subordinate Tax Allocation Revenue Bonds, Series B are considered defeased.
- The Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series A; issued December 10, 2002, \$16,280,000 mature serially from August 1, 2003 through August 1, 2033 in annual installments ranging from \$650,000 to \$1,400,000 at interest rates of 2.25% to 4.75%. Term bonds of \$7,940,000 with an interest rate of 5.00% maturing on August 1, 2033 are subject to mandatory sinking fund requirements ranging from \$488,000 to \$1,498,750. The bonds are secured by loan agreements from the City of Cathedral City Redevelopment Agency that are secured by a pledge of certain tax increment revenues. Outstanding balance at June 30, 2005 23,120,000
- d. On November 21, 2002, the Public Financing Authority (a component unit of the City of Cathedral City) issued \$22,820,000 of Tax Allocation Revenues Bonds, 2002 Series D. The proceeds of the bonds were loaned to the Cathedral City Redevelopment Agency. The proceeds of the bonds were applied as follows: (a) to provide funds for increasing, improving, and preserving the City's supply of low and moderate-income housing, and (b) funding the premium for a reserve account surety bond.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

Serial bonds of this issue in the amount of \$8,830,000 mature serially from August 1, 2003 through August 1, 2011 in annual installments ranging from \$250,000 to \$500,000 at interest rates of 3.00% to 4.75%. Term bonds of \$5,165,000 with an interest rate of 5.00% maturing on August 1, 2026 are subject to mandatory sinking fund requirements ranging from \$1,429,750 to \$1,434,250. Term bonds of \$8,290,000 with an interest rate of 5.00% maturing on August 1, 2033 are subject to mandatory sinking fund requirements ranging from \$1,430,000 to \$1,434,500. The bonds are secured by loan agreements from the City of Cathedral City Redevelopment Agency that are secured by a pledge of certain tax increment revenues required to be set aside for low and moderate-income housing purposes pursuant to Redevelopment Law. Outstanding balance at June 30, 2005

22,170,000

- e. On November 21, 2002, the Public Financing Authority (a component unit of the City of Cathedral City) issued \$14,350,000 of Taxable Tax Allocation Revenue Bonds, 2002 Series E. The proceeds were loaned to the Cathedral City Redevelopment Agency. The proceeds of the bonds were applied as follows: (a) to provide funds for increasing, improving, and preserving the City's supply of low and moderate-income housing, and (b) funding the premium for a reserve account surety bond.

The Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series E; issued November 21, 2002, \$1,240,000 mature serially from August 1, 2003 through August 1, 2008 in annual installments ranging from \$130,000 to \$235,000 at interest rates of 2.03% to 4.07%. Term bonds of \$1,685,000 with an interest rate of 5.19% maturing on August 1, 2014 are subject to mandatory sinking fund requirements ranging from \$1,034,090 to \$1,038,728.

Term bonds of \$3,320,000 with an interest rate of 6.11% maturing on August 1, 2022 are subject to mandatory sinking fund requirements ranging from \$1,034,146 to \$1,037,609. Term bonds of \$8,105,000 with an interest rate of 6.16% maturing on August 1, 2033 are subject to mandatory sinking fund requirements ranging from \$1,034,200 to \$1,038,932. The bonds are secured by a taxable loan agreement from the City of Cathedral City Redevelopment Agency that are secured by a

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

| | |
|---|----------------------|
| pledge of certain housing tax revenues. Outstanding balance at June 30, 2005 | 14,010,000 |
| f. On December 9, 2004, the Cathedral City Public Financing Authority issued the 2004 Tax Allocation Revenue Bonds, Series A and Series B for \$21,370,000 and \$8,630,000 respectively. Monies from the Series A were used to refund \$15,625,000 of the remaining 1995 Tax Allocation Bond Series A, create \$4,000,000 of new project resources, and pay the cost of issuance and other associated fees. Monies from the Series B were used to fund \$8,231,439 of new project resources and pay the cost of issuance and other associated fees. The Series A and B Bonds have maturity dates from 2005 through 2034. The Series A Bonds have rates ranging from 3.0% to 5.125% and are Tax-Exempt Bonds. The Series B Bonds have rates ranging from 2.89% to 5.87% and are Taxable Bonds. | |
| Outstanding balance at June 30, 2005 of the Series A | 21,370,000 |
| Outstanding balance at June 30, 2005 of the Series B | <u>8,630,000</u> |
| Total Outstanding Tax Allocation Bonds | <u>\$111,901,000</u> |

4. Revenue Bonds Payable

On February 15, 1996, \$18,525,000 Series A and \$5,380,000 Series B Revenue Bonds were issued to purchase the City of Cathedral City Limited Obligation Bonds, Assessment Districts No. 85-1, 86-1, 86-5, 88-2, and 88-3; interest on Series A and B bonds is payable semiannually each March 2 and September 2 beginning September 2, 1996; principal maturities on Series A and Series B bonds begin September 2, 1996 and continue each September 2 through September 2, 2011 in amounts ranging from \$430,000 to \$1,690,000 and \$200,000 to \$485,000, respectively; Series A bonds bear interest ranging from 3.25% to 5.10% and Series B bonds bear interest ranging from 4.50% to 6.875%; Series A and B bonds maturing on or after September 2, 2002 are subject to optional redemption at between par and 102%. The reserve requirement for the Series A Revenue Bonds is the lesser of (a) 10% of the original proceeds, (b) maximum annual debt service, or (c) 125% of the average annual debt service. For Series A Bonds, the reserve requirement is \$1,825,000. Two thirds of the reserve requirement is covered by an insurance policy and one third is covered by funds with the trustee. \$633,707 was held in reserve for the Series A Bonds. For Series B Bonds the reserve requirement was \$538,000 and the actual amount with the trustee was \$554,330. The outstanding balance at June 30, 2005 was \$0. These bonds were defeased with the issuance of the 2004 Limited Obligation Bonds.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

2004 Series A (Limited Obligation) Local Agency Revenue Bonds

On December 3, 2004, the Cathedral City Public Finance Authority issued 2004 Series A (Limited Obligation) Local Agency Revenue Bonds in the amount of \$15,525,000. The proceeds were used to purchase the Authority's 1996 Series A and Series B Revenue Bonds which in turn purchased the City of Cathedral City Limited Obligation Bonds for Assessment Districts 85-1, 86-5, 88-2 and 88-3. The new bonds also purchased the 2004 Rio Vista District Bonds, which were issued concurrently to purchase the City's Limited Obligation Improvement Bonds, Assessment District 96-1 (Rio Vista). The bonds have maturity dates from 2015 through 2024 and have rates ranging from 3.0% to 4.25%. The amount outstanding at June 30, 2005 was \$15,525,000.

Debt Service Requirements to Maturity

The annual requirements to amortize long-term debt, excluding employee leave payable, notes payable, and leases payable as of June 30, 2005 are as follows:

Governmental Activities:

| Year Ending June 30, | Certificate of Participation | | Lease Bonds | | Tax Allocation Bonds | |
|-------------------------|---------------------------------|-------------------|---------------------|---------------------|-----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | \$ 245,000 | \$ 60,778 | \$ 90,000 | \$ 415,488 | \$ 2,700,000 | \$ 5,580,294 |
| 2007 | 255,000 | 48,900 | 100,000 | 408,553 | 2,245,000 | 5,313,675 |
| 2008 | 270,000 | 36,165 | 105,000 | 401,070 | 2,320,000 | 5,228,506 |
| 2009 | 285,000 | 22,425 | 115,000 | 392,781 | 2,405,000 | 5,134,876 |
| 2010 | 300,000 | 7,650 | 120,000 | 383,675 | 2,505,000 | 5,031,436 |
| 2011-2015 | | | 770,000 | 1,755,626 | 14,315,000 | 23,347,293 |
| 2016-2020 | | | 1,115,000 | 1,557,670 | 18,025,000 | 19,502,597 |
| 2021-2025 | | | 1,630,000 | 859,558 | 21,466,621 | 15,934,934 |
| 2026-2030 | | | 1,320,000 | 161,438 | 22,344,719 | 13,338,446 |
| 2031-2034 | | | | | 23,574,660 | 5,556,923 |
| | <u>\$ 1,355,000</u> | <u>\$ 175,918</u> | <u>\$ 5,365,000</u> | <u>\$ 6,335,859</u> | <u>\$ 111,901,000</u> | <u>\$ 103,968,980</u> |

5. Capital Leases – Proprietary Fund Types

- a. In September 2001, the City entered into a long-term lease arrangement with LaSalle Bank National Association to purchase a Fire Truck Pumper for \$488,675. The lease has a term of five year, an interest rate of 4.760%, and annual payments of 89,736. Outstanding balance at June 30, 2005 \$273,934

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

| | | |
|----|--|--------------------|
| b. | In September 2003, the City entered into a long-term lease arrangement with Kansas State Bank of Manhattan to purchase a Fire Department Defibrillator for \$80,096. The lease has a term of five years and annual payments of \$16,019. Outstanding balance at June 30, 2005 | 42,200 |
| c. | On September 23, 2004, the City entered into a Master Lease Agreement with Sun Trust Leasing Corporation for the purpose of facilitating equipment lease/purchase/ financing. Under the Master Lease Agreement the City can enter into special Equipment Schedules for the purchase of necessary equipment or improvements. Upon payment completion of any Equipment Lease (financing), the equipment contained therein shall become the property of the City without further payment. | |
| | Equipment Schedule 001 was initiated on September 23, 2004 for \$2,753,500 for the financing of an energy savings project to install building lighting, traffic LED, solar electric panel installation and window tinting with Honeywell. Outstanding balance at June 30, 2005 | <u>2,753,500</u> |
| | Total Capital Leases Outstanding | <u>\$3,069,634</u> |

6. Long-Term Loans and Notes Payable

Notes Payable

On December 29, 1986, the City of Cathedral City Redevelopment Agency (a component unit of the City of Cathedral City) issued a promissory note in the sum of \$2,788,423 for the disposition and development of approximately eleven acres of real property located in Project Area No. 2 (Merged Project Area). Interest on the note accrues upon the opening of the facility (October 27, 1987) following development of the property at a floating rate equal to two percent per annum over the Wells Fargo Bank prime rate. The note will be repaid by the Agency in an amount equal to 70% of the sales and use tax revenues derived from business activities conducted upon the site and received by the City of Cathedral City. On November 22, 2027, any unpaid principal and interest owed by the Agency will be forgiven. The outstanding balance which includes accrued interest at June 30, 2005 was \$7,027,656.

In April 2002, the City entered into a promissory note of \$800,000 with the Berger Foundation for the purpose of acquisition of land for the ongoing development of the downtown revitalization project. The terms of the note include quarterly interest only payments for five years with a balloon payment due January 1, 2007 of the full principal amount. The note is secured by the property. The balance at June 30, 2005 was \$800,000.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

On September 24, 2001, the City entered into two note agreements with Plaza Motors in the amount of \$132,000 and \$1,000,000, for the purpose of the City's obligation of rain run off and flood control improvement and City's obligation for site improvements, respectively. The terms of the \$132,000 note is to be paid based on the sales tax revenues the auto dealership of Plaza Motors, Inc., accruing annual interest at 12%. The terms of the \$1,000,000 note is to be paid based on 100% of the first \$200,000 in sales tax revenues from the auto dealership after the \$132,000 note has been paid in full and 50% of any remaining sales tax until the note is paid in full. The note does not bear interest. The note is collateralized by the sales tax receipts. The combined interest rate is 1.3%. The amount outstanding as of June 30, 2005 was \$421,063.

On July 1, 2002, the City of Cathedral City and the Redevelopment Agency of the City of Cathedral City assumed a mortgage loan of \$49,457 on a property located within the RDA district. The note is secured by the property, and is due in monthly installments of \$498, including interest at an annual rate of 6.875%. The amount outstanding at June 30, 2005 was \$47,397.

Debt Service Requirements to Maturity

There is no fixed repayment schedule on the amount owed on the disposition and development agreement of \$7,027,656, the Berger Foundation note of \$800,000 and the notes with Plaza Motors for \$421,063. Future debt service payments on the mortgage loan are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|------------------|------------------|
| 2006 | \$ 808 | \$ 3,880 |
| 2007 | 875 | 3,811 |
| 2008 | 952 | 3,736 |
| 2009 | 1,034 | 3,654 |
| 2010 | 1,122 | 3,566 |
| 2011-2015 | 7,230 | 16,210 |
| 2016-2020 | 10,907 | 12,532 |
| 2021-2025 | 16,452 | 6,988 |
| 2026-2029 | <u>8,017</u> | <u>654</u> |
| Total | <u>\$ 47,397</u> | <u>\$ 55,031</u> |

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

IV. Other Information

A. Pension Plan

Plan Description:

The City's defined benefit pension plans, the Miscellaneous and Safety Plans for the City of Cathedral City (Plans), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 P Street, Sacramento, CA 95814.

Funding Policy:

Participants are required to contribute 7%-9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004 was 2.717% for miscellaneous employees, 4.899% for safety (police) and 5.251% for safety (fire) employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year 2005, the City's actual and contributed annual pension cost was \$2,416,250. The required contribution for the fiscal year 2005 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 4% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members (from 4.27% to 11.58% for safety members), and (c) a 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Plans' unfunded

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

actuarial excess assets are being amortized as a level percentage of projected payroll on a closed basis. As of June 30, 2004, police and fire employees are included in the Safety 20% at 50 Risk Pool of PERS.

Three-year trend information for the Miscellaneous and Safety Plans:

Miscellaneous Employees

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|------------------------|--|--|-----------------------------------|
| 6/30/03 | \$485,980 | 100% | \$522,937 |
| 6/30/04 | 431,725 | 100% | 658,542 |
| 6/30/05 | 448,763 | 100% | 623,740 |

Safety Employees (Police)

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|------------------------|--|--|-----------------------------------|
| 6/30/03 | \$565,420 | 100% | \$612,092 |
| 6/30/04 | 557,099 | 100% | 820,388 |
| 6/30/05 | 478,228 | 100% | 873,832 |

Safety Employees (Fire)

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|------------------------|--|--|-----------------------------------|
| 6/30/03 | \$323,715 | 100% | \$306,835 |
| 6/30/04 | 317,641 | 100% | 316,256 |
| 6/30/05 | 361,027 | 100% | 361,112 |

B. Self-Insurance Program

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of twenty-six participating member agencies with equal governing and no management authority. The City of Cathedral City joined PERMA on July 25, 1985 for the purpose of long-term premium stability. The City participates in the employer's liability coverage and the worker's compensation coverage programs of PERMA.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

PERMA's liability program provides coverage up to \$25 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected self-insurance of \$250,000 and participates in risk sharing pools for losses up to \$5 million per occurrence, limited to \$10 million.

PERMA's workers' compensation program provides up to \$50 million per accident for workers' compensation and up to \$10 million each accident for employer's liability. The City's self-insurance limit under workers' compensation is \$250,000 per accident or employee with coverage to statutory limits.

Estimates for all workers' compensation and general liabilities, up to the self-insured levels, are recorded in an internal service fund. Claims payable for the self-insurance liability, including a provision for incurred but not reported claims, was \$3,128,375 at June 30, 2005. Settled claims from general liability and workers' compensation risks have not exceeded commercial insurance coverage for the past three years.

Changes in claims liabilities for the past two years are as follows:

| | Beginning Balance | Changes in Estimates | Claims Payments | Ending Balance |
|---------|----------------------|-------------------------|--------------------|-------------------|
| 2003-04 | \$ 2,086,759 | \$ 510,321 | \$ (368,538) | \$ 2,228,542 |
| 2004-05 | 2,228,542 | 2,191,857 | (1,292,024) | 3,128,375 |

C. Contingent Liabilities

The City is a defendant in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

D. Loan Guarantees / Commitments

Under the Palm Canyon DDA, the Agency has agreed to make certain loan payments on behalf of Palm Canyon Partners in the amount of up to \$99,827 per month. These payments are funded by lease payments made by North American Cinema, Inc. (NACI) to the Agency for a 14 screen multiplex theater that opened in 2001. As of June 30, 2005, there were 132 payments remaining for a total obligation of up to \$13,177,098 guaranteed by the Agency. The funding from NACI for the fiscal year ended June 30, 2005 was inadequate to make the payments by \$236,008.

As a subsequent year event, the Palm Canyon Partners, LLC's interest in the theater was purchased by IXIS Real Estate Capital, Inc. The Lease Guarantee from the Agency was continued under the new ownership in the amount state at June 30, 2005 above.

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

E. Assessment District Bond Issues

Assessment District No. 96-1

On August 13, 1996, the City of Cathedral City issued \$5,591,404 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, sewer improvements, and street lighting of direct special benefits to the properties with the District, and related administrative, legal, financing, and engineering costs. The Bonds were issued as fully registered Bonds in Denominations of \$5,000 and one bond in an odd amount, each with principal due annually on September 2, in amounts ranging from \$56,404 to \$200,000 through September 2, 2015. Interest was payable semiannually on March 2 and September 2, at interest rates ranging from 4.25% to 6.25%.

Under the provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. The City is not directly liable for repayment of the bonds except to the extent that the City has covenanted to institute foreclosure proceedings in the event of delinquent installment. However, the City has a limited liability to advance funds to the Redemption Fund in the event of delinquent installments which shall not exceed the balance in the Reserve Fund. Under the terms of the issue, \$432,950 was set aside in reserve funds, which represents the maximum annual debt service payment due on the Bond. The outstanding balance at June 30, 2005 was \$0. These bonds were defeased with the issuance of the 2004 Limited Obligation Bonds.

Assessment District No. 2001-01

In May 2001, the City of Cathedral City issued \$3,085,000 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, sidewalks, striping, street lights and related work, perimeter landscaping of direct special benefits to the properties with the District, and related administrative, legal, financing, and engineering costs. The Bonds were issued as fully registered Bonds in Denominations of \$5,000 and one bond in an odd amount, each with principal due annually on September 2, in amounts ranging from \$15,000 to \$235,000 through September 2, 2026. Interest is payable semiannually on March 2 and September 2, at interest rates ranging from 5.7% to 6.5%. The outstanding balance at June 30, 2005 was \$2,945,000.

Under the provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. The City is not directly liable for repayment of the bonds except to the extent that the City has covenanted to institute foreclosure proceedings in the event of delinquent installment. However, the City has a limited liability to advance funds to the

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

Redemption Fund in the event of delinquent installments which shall not exceed the balance in the Reserve Fund. Under the terms of the issue, \$252,775 must be set aside in reserve funds, which represents the maximum annual debt service payment due on the Bond. At June 30, 2005, the actual amount held in reserve funds was \$254,060.

Community Facilities District No. 2000-1

In November 2000, the City of Cathedral City issued \$12,230,000 of Community Facilities District Bonds to finance certain public infrastructure to include storm drain improvements, sanitary sewer systems, water system, landscaping and street improvements including paving, curbing and the installation of gutters, sidewalks and signage of direct special benefits to the properties with the District, commonly known as Rio Vista Village. The Bonds were issued as fully registered Bonds in Denominations of \$5,000 with the first principal maturity September 2004 and final maturity September 2030. Interest rates range from 4.75% to 6.7%. The outstanding principal balance at June 30, 2005 was \$12,220,000.

The District was formed and established by the City on January 12, 2000 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 of the Government Code of the State of California). Under provisions of the Act, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. The City is not directly liable for repayment of the bonds except to the extent that the City has covenanted to institute foreclosure proceeding under certain circumstances. The City has pledged to repay the Bonds from the Special Tax Revenues and amounts on deposit in the Bond Payment Fund and the Reserve Fund. The Reserve Fund at inception was \$1,223,000. The Reserve Fund on June 30, 2005 was \$1,223,000.

Assessment District No. 2003-01

In August 2004, the City of Cathedral City issued \$6,671,933 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, and sewer improvements of direct special benefits to the properties with the District, and related administrative, legal, financing and engineering costs. The Bonds were issued as fully registered Bonds with interest rates ranging from 2.2% to 5.7% with the final bonds maturing in 2022.

The Bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The Bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the Bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual Assessment installments are to be paid

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due. The City will establish a Reserve Fund with a portion of the proceeds of the Bonds, to be held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the Assessment installments. The reserve Fund will be maintained from available Assessment payments, in an amount equal to the Reserve Requirement. The Reserve Fund balance as of June 30, 2005 is \$472,451. The outstanding principal balance at June 30, 2005 was \$6,671,934.

Assessment District No. 2004-01

In September 2004, the City of Cathedral City issued \$5,978,326 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, and sewer improvements of direct special benefits to the properties with the District, and related administrative, legal, financing and engineering costs. The Bonds were issued as fully registered Bonds with interest rates ranging from 1.85% to 5.95% with the final bonds maturing in 2034.

The Bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The Bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the Bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual Assessment installments are to be paid into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due. The City will establish a Reserve Fund with a portion of the proceeds of the Bonds, to be held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the Assessment installments. The reserve Fund will be maintained from available Assessment payments, in an amount equal to the Reserve Requirement. The Reserve Fund balance as of June 30, 2005 is \$425,030. The outstanding principal balance at June 30, 2005 was \$5,978,326.

F. Restatement of Net Assets

| | |
|--|----------------------|
| Beginning net assets July 1, 2004 | \$ 89,119,630 |
| Record investment in assessment district debt of the Public Financing Authority previously not recorded | <u>10,160,000</u> |
| | <u>\$ 99,279,630</u> |

CITY OF CATHEDRAL CITY
Notes to Financial Statements (Continued)
June 30, 2005

G. Subsequent Events

Cove Improvement District No. 2004-02

In August 2005, the City of Cathedral City issued \$33,847,337 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, and sewer improvements of direct special benefits to the properties with the District, and related administrative, legal, financing and engineering costs. The Bonds were issued as fully registered Bonds with interest rates ranging from 2.85% to 5.0% with the final bonds maturing in 2025.

The Bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The Bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the Bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual Assessment installments are to be paid into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due. The City will establish a Reserve Fund with a portion of the proceeds of the Bonds, to be held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the Assessment installments. The reserve Fund will be maintained from available Assessment payments, in an amount equal to the Reserve Requirement. As the final sale of the Bonds did not occur until after the end of the current fiscal year, the Reserve Fund was subsequently established at \$2,193,775.

2005 Tax Allocation Revenue Bonds, Series A

On June 28, 2005 (with a settlement date of July 7, 2005), the Cathedral City Public Finance Authority issued the 2005 Tax Allocation Revenue Bonds, Series A for \$13,000,000. Monies from the Series A Bonds were used to refund \$9,775,000 of the remaining 1995 Tax Allocation Bond Series A and to create new project monies for Project Area 3 in the amount of \$732,436 and to create new project monies for the Merged Project Area in the amount of \$2,010,003. The Bonds have maturity dates from 2006 through 2024 with rates from 3.125% to 4.50%.

The remaining principal of \$10,415,000 of the 1995 Tax Allocation Bond Series A was subsequently defeased in fiscal year 2006 with the \$9,775,000 of refinancing from the 2005 Tax Allocation Revenue Bond Series A after the August 1, 2005 principal payment of \$640,000. (See note III.E.3.a)

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

CITY OF CATHEDRAL CITY
PERS Schedule of Funding Progress
June 30, 2005

| Actuarial Valuation Covered Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) Entry Age (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a % of Covered Payroll [(B-A)/C] |
|---|--|--|------------------------------------|--------------------------|---------------------------|--|
| 6/30/02: | | | | | | |
| Misc. | \$ 12,423,725 | \$ 12,092,146 | \$ (331,579) | 102.7% | \$ 5,377,717 | (6.166)% |
| Safety (Fire) | 9,230,155 | 8,593,134 | (637,021) | 107.4% | 2,384,165 | (26.719)% |
| Safety (Police) | 15,442,713 | 15,154,181 | (288,532) | 101.9% | 3,708,059 | (7.781)% |
| Total | <u>\$ 37,096,593</u> | <u>\$ 35,839,461</u> | <u>\$ (1,257,132)</u> | 103.5% | <u>\$ 11,469,941</u> | (10.960)% |
| 6/30/03: | | | | | | |
| Misc. | \$ 12,668,342 | \$ 14,589,699 | \$ 1,921,357 | 86.8% | \$ 4,832,755 | 39.757% |
| Safety (Fire) | 9,659,642 | 9,504,899 | (154,743) | 101.6% | 2,610,874 | (5.927)% |
| Safety (Police) | 15,978,833 | 17,995,891 | 2,017,058 | 88.8% | 3,433,022 | 58.755% |
| Total | <u>\$ 38,306,817</u> | <u>\$ 42,090,489</u> | <u>\$ 3,783,672</u> | 91.0% | <u>\$ 10,876,651</u> | 34.787% |
| 6/30/04: | | | | | | |
| Misc. | \$ 13,567,846 | \$ 16,098,695 | \$ 2,530,849 | 84.3% | \$ 5,027,203 | 50.343% |
| Safety: | | | | | | |
| (Fire/Police) ⁽¹⁾ | <u>885,549,650</u> | <u>996,203,370</u> | <u>110,653,720</u> | 88.9% | <u>149,407,703</u> | 74.062% |
| Total | <u>\$ 899,117,496</u> | <u>\$ 1,012,302,065</u> | <u>\$ 113,184,569</u> | 88.8% | <u>\$ 154,434,906</u> | 73.289% |

⁽¹⁾ Based on actuarial reports provided by PERS, police and fire for the City of Cathedral City are included into a pool. As of June 30, 2003, stand alone valuations for these two groups will no longer be provided.

CITY OF CATHEDRAL CITY
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2005

| | Budget Original | Budget Final | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| Revenues: | | | | |
| Taxes | \$ 14,150,000 | \$ 16,375,000 | \$ 16,557,181 | \$ 182,181 |
| Fines and forfeitures | 6,500 | 6,500 | 11,283 | 4,783 |
| Intergovernmental | 123,084 | 123,084 | 184,626 | 61,542 |
| Licenses and permits | 1,999,000 | 1,899,000 | 2,166,038 | 267,038 |
| Charges for services | 2,563,050 | 2,788,050 | 3,362,218 | 574,168 |
| Interest | 300,000 | 400,000 | 708,098 | 308,098 |
| Miscellaneous | 196,412 | 696,412 | 895,530 | 199,118 |
| Total Revenues | <u>19,338,046</u> | <u>22,288,046</u> | <u>23,884,974</u> | <u>1,596,928</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 5,142,139 | 5,647,346 | 7,046,932 | (1,399,586) |
| Public safety | 14,321,939 | 14,975,066 | 14,964,728 | 10,338 |
| Public works | 1,971,990 | 2,503,072 | 796,267 | 1,706,805 |
| Payments under pass-through agreements | | 452,000 | 451,672 | 328 |
| Capital outlay | 222,100 | 219,600 | 170,451 | 49,149 |
| Debt service: | | | | |
| Interest | | | 221,831 | (221,831) |
| Total Expenditures | <u>21,658,168</u> | <u>23,797,084</u> | <u>23,651,881</u> | <u>367,034</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(2,320,122)</u> | <u>(1,509,038)</u> | <u>233,093</u> | <u>1,963,962</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 2,118,062 | 2,131,607 | 3,992,242 | 1,860,635 |
| Transfers out | <u>(1,692,077)</u> | <u>(1,692,077)</u> | <u>(1,692,678)</u> | <u>(601)</u> |
| Total Other Financing Sources (Uses) | <u>425,985</u> | <u>439,530</u> | <u>2,299,564</u> | <u>1,860,034</u> |
| Net Change in Fund Balances | (1,894,137) | (1,069,508) | 2,532,657 | 3,823,996 |
| Fund Balances, Beginning | <u>16,859,930</u> | <u>16,859,930</u> | <u>16,859,930</u> | |
| Fund Balances, Ending | <u>\$ 14,965,793</u> | <u>\$ 15,790,422</u> | <u>\$ 19,392,587</u> | <u>\$ 3,823,996</u> |

See Accompanying Note to Required Supplementary Information

CITY OF CATHEDRAL CITY
Note to Required Supplementary Information
June 30, 2005

1. Budgets and Budgetary Accounting

The City of Cathedral City adopts an annual budget prepared on the modified accrual basis for the general fund and special revenue funds. The City Manager and Director of Finance prepare and submit the annual budget to the City Council and administer it after adoption. The City Manager is authorized to adjust appropriations within each department or activity, provided that the total appropriations for each department or activity do not exceed the amounts approved in the budget for any amending resolutions. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. For each fund, total expenditures, may not legally exceed total appropriations. During the year, several supplementary appropriations were necessary. Individual amendments were not material in relation to the original appropriations.

Supplementary Information

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

| <u>Assets</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> | <u>Nonmajor Governmental Funds</u> |
|---|--------------------------------------|-----------------------------------|---------------------------------------|--|
| Cash and investments | \$ 11,904,092 | \$ 3,136,234 | \$ 16,941,934 | \$ 31,982,260 |
| Cash and investments with fiscal agent | | 594,965 | 11,862,758 | 12,457,723 |
| Interest receivable | 99,000 | 4,343 | 170,728 | 274,071 |
| Accounts receivable | 703,496 | 199,177 | 185,270 | 1,087,943 |
| Loans receivable | 236,000 | 4,018,695 | 110,607 | 4,365,302 |
| Advances from other funds | 390,393 | | | 390,393 |
| Prepays | | | 99,827 | 99,827 |
| Land held for resale | 7,100,837 | | 13,729,710 | 20,830,547 |
| Deposits | 17,200 | | 355,600 | 372,800 |
| Total Assets | <u>\$ 20,451,018</u> | <u>\$ 7,953,414</u> | <u>\$ 43,456,434</u> | <u>\$ 71,860,866</u> |
| <u>Liabilities and Fund Balance</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 127,020 | \$ 62,188 | \$ 633,512 | \$ 822,720 |
| Accrued liabilities | 18,170 | | 16,281 | 34,451 |
| Deposits | 725,183 | | 1,000 | 726,183 |
| Due to other funds | 32,774 | | 545,732 | 578,506 |
| Deferred revenue | | | 372,400 | 372,400 |
| Total Liabilities | <u>903,147</u> | <u>62,188</u> | <u>1,568,925</u> | <u>2,534,260</u> |
| Fund Balance: | | | | |
| Reserved for: | | | | |
| Land held for resale | 7,100,837 | | 13,729,710 | 20,830,547 |
| Domestic violence grant | 52,578 | | | 52,578 |
| Loans receivable | 236,000 | 4,018,695 | 110,607 | 4,365,302 |
| Deposit with the court | 17,200 | | 355,600 | 372,800 |
| Debt service | | 3,872,531 | | 3,872,531 |
| Advances to other funds | 390,393 | | | 390,393 |
| Unreserved | 11,750,863 | | 27,691,592 | 39,442,455 |
| Total Fund Balances (Deficits) | <u>19,547,871</u> | <u>7,891,226</u> | <u>41,887,509</u> | <u>69,326,606</u> |
| Total Liabilities and Fund Balances | <u>\$ 20,451,018</u> | <u>\$ 7,953,414</u> | <u>\$ 43,456,434</u> | <u>\$ 71,860,866</u> |

CITY OF CATHEDRAL CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2005

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Nonmajor Governmental Funds |
|---|-----------------------------|--------------------------|------------------------------|-----------------------------------|
| Revenues: | | | | |
| Taxes | \$ 4,051,803 | \$ 4,251,165 | | \$ 8,302,968 |
| Intergovernmental | 3,379,680 | | | 3,379,680 |
| Licenses and permits | 130,482 | | \$ 193,500 | 323,982 |
| Charges for services | 686,945 | | | 686,945 |
| Interest | 182,872 | 487,602 | 458,968 | 1,129,442 |
| Miscellaneous | 934,428 | 5,765 | 7,825 | 948,018 |
| Total Revenues | 9,366,210 | 4,744,532 | 660,293 | 14,771,035 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 788,471 | | | 788,471 |
| Community development | 1,525,105 | 101,870 | 2,437,776 | 4,064,751 |
| Public safety | 468,775 | | | 468,775 |
| Public works | 1,329,424 | | | 1,329,424 |
| Payments under pass-through agreements | | 573,773 | 799,817 | 1,373,590 |
| Capital outlay | 1,883,275 | | 5,731,081 | 7,614,356 |
| Debt service: | | | | |
| Principal | 825 | 85,000 | | 85,825 |
| Interest | 4,856 | 427,421 | | 432,277 |
| Cost of issuance | | | 660,738 | 660,738 |
| Total Expenditures | 6,000,731 | 1,188,064 | 9,629,412 | 16,818,207 |
| Excess of Revenues Over (Under) Expenditures | 3,365,479 | 3,556,468 | (8,969,119) | (2,047,172) |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | | | 29,859,061 | 29,859,061 |
| Bond refunded | | | (16,924,539) | (16,924,539) |
| Loan proceeds | 330,000 | | | 330,000 |
| Transfers in | 12,348 | 5,464,644 | 18,021,051 | 23,498,043 |
| Transfers out | (4,215,460) | (6,539,525) | (3,966,856) | (14,721,841) |
| Total Other Financing Sources (Uses) | (3,873,112) | (1,074,881) | 26,988,717 | 22,040,724 |
| Net Change in Fund Balances | (507,633) | 2,481,587 | 18,019,598 | 19,993,552 |
| Fund Balances, Beginning | 20,055,504 | 5,409,639 | 23,867,911 | 49,333,054 |
| Fund Balances, Ending | \$ 19,547,871 | \$ 7,891,226 | \$ 41,887,509 | \$ 69,326,606 |

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Low and Moderate Income Housing Fund – Accounts for low and moderate-income housing expenditures for the Redevelopment Agency and 20% set aside of property tax increment revenues collected by the County.

Fire Flow Upgrade Fund – Accounts for upgrading existing fire mains and fire hydrants. Financing is provided by a fire upgrade fee charged to developers.

Master Underground Plan Fund – Accounts for the cost of burying above ground utility lines. Financing is provided by a fee charged to developers.

National Pollutant Discharge Elimination System (NPDES) Program Fund – Accounts for the funds received from Riverside County for compliance with requirements of the Federal Clean Water Act regarding discharging stormwater.

Traffic Safety Fund – Accounts for traffic safety signal installation, maintenance, and road repairs. Financing is provided by vehicle code fines collected by the County.

Community Development Block Grant Fund – Accounts for capital projects designated in the grant. Financing is provided by the County's Department of Housing and Community Development which is a U.S. Department of Housing and Urban Development grant recipient.

State Gas Tax Fund – Accounts for street improvement and engineering costs. Financing is provided by the City's allocation of State gasoline taxes.

Air Quality Improvements Fund – Accounts for revenues received under AB 2766. Expenditures are restricted for the use of reduction of air pollution.

Solid Waste Fund – Accounts for revenues received under AB 939. Expenditures are limited to programs that initiate recycling efforts throughout the City.

State Asset Forfeiture Program Fund – Accounts for expenditures incurred in narcotics interdiction efforts. Financing is provided by awards for the court of seized assets.

Police Grant Fund – Accounts for expenditures related to state and federal grants for the City's Police Department.

Police Donations Fund – Accounts for receipts collected which are restricted for expenditures related to the police department projects.

Fire Donations Fund – Accounts for receipts collected which are restricted for expenditures related to the fire department programs.

NONMAJOR SPECIAL REVENUE FUNDS (Continued)

Telecommunications Equipment Fund – Accounts for receipts collected which are restricted for expenditures on telecommunication equipment.

Landscape and Lighting District – Accounts for special assessments levied on real property and expenditures to provide landscaping and street lighting maintenance for certain districts formed within the City.

Measure “A” Fund – Accounts for revenues provided by the Riverside County Measure “A”. These funds are used for street improvements and engineering costs.

Special Deposits Fund – Accounts for deposits held by the City on the account for others. Such deposits include (a) utility deposits, (b) Fringed-Toed Lizard fees, and (c) Riverside County Superintendent of Schools.

Transfer Station Road – Accounts for revenues collected by Riverside County as a City mitigation fee. Funds are to be used for road construction and maintenance of roadways to access the Edom Hill Transfer Station and various traffic signalization requirements. Any excess funds are to be used for any streets or public services within the City.

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

| <u>Assets</u> | Low Moderate Housing | Fire Flow Upgrade | Master Underground Plan | NPDES Program |
|--|----------------------------|----------------------|-------------------------------|------------------|
| Cash and investments | \$ 3,936,503 | | \$ 1,425,501 | \$ 178 |
| Interest receivable | 32,623 | | 11,823 | 1 |
| Accounts receivable | 59,600 | | | |
| Loans receivable | 236,000 | | | |
| Advances from other funds | 390,393 | | | |
| Land held for resale | 7,057,541 | | | |
| Deposits | 17,200 | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$ 11,729,860</u> | <u>\$ -</u> | <u>\$ 1,437,324</u> | <u>\$ 179</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 10,834 | | \$ 2,348 | |
| Accrued liabilities | 9,346 | | | |
| Deposits | 80 | | | |
| Due to other funds | | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <u>20,260</u> | <hr/> | <u>2,348</u> | <hr/> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Loans receivable | 236,000 | | | |
| Land held for resale | 7,057,541 | | | |
| Deposits with court | 17,200 | | | |
| Domestic violence grant | | | | |
| Advances to other funds | 390,393 | | | |
| Unreserved | 4,008,466 | | 1,434,976 | \$ 179 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | <u>11,709,600</u> | <hr/> | <u>1,434,976</u> | <u>179</u> |
| Total Liabilities and Fund Balances | <u>\$ 11,729,860</u> | <u>\$ -</u> | <u>\$ 1,437,324</u> | <u>\$ 179</u> |

| <u>Traffic Safety</u> | <u>Community Development Block Grant</u> | <u>State Gas Tax</u> | <u>Air Quality Improvement</u> | <u>Solid Waste</u> | <u>State Asset Forfeiture Program</u> | <u>Police Grant</u> |
|---------------------------|--|------------------------------|------------------------------------|------------------------|---|-------------------------|
| \$ 711,033 | | \$ 849,376 | \$ 234,143 | \$ 249,255 | \$ 6,521 | \$ 233,387 |
| 5,895 | | 7,068 | 1,941 | 2,072 | 54 | 2,008 |
| 20,908 | | 330 | 14,300 | 22,081 | | 82,245 |
| | | | | 43,296 | | |
| <u>\$ 737,836</u> | <u>\$ -</u> | <u>\$ 856,774</u> | <u>\$ 250,384</u> | <u>\$ 316,704</u> | <u>\$ 6,575</u> | <u>\$ 317,640</u> |
| | | \$ 12,592 | | \$ 8,855 | | \$ 1,200 |
| | | 10,979 | | | | (13,134) |
| | | | \$ 12,884 | | | |
| | \$ 32,774 | | | | | |
| | 32,774 | 23,571 | 12,884 | 8,855 | | (11,934) |
| | | | | 43,296 | | |
| | | | | | | 52,578 |
| <u>\$ 737,836</u> | <u>(32,774)</u> | <u>833,203</u> | <u>237,500</u> | <u>264,553</u> | <u>\$ 6,575</u> | <u>276,996</u> |
| <u>737,836</u> | <u>(32,774)</u> | <u>833,203</u> | <u>237,500</u> | <u>307,849</u> | <u>6,575</u> | <u>329,574</u> |
| <u>\$ 737,836</u> | <u>\$ -</u> | <u>\$ 856,774</u> | <u>\$ 250,384</u> | <u>\$ 316,704</u> | <u>\$ 6,575</u> | <u>\$ 317,640</u> |

(Continued)

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2005

| <u>Assets</u> | <u>Police Donations</u> | <u>Fire Donations</u> | <u>Telecom- munications Equipment</u> | <u>Landscape and Lighting District</u> |
|--|-----------------------------|---------------------------|---|--|
| Cash and investments | \$ 355,250 | \$ 211,457 | \$ 69,903 | \$ 21,342 |
| Interest receivable | 2,945 | 1,754 | 580 | 177 |
| Accounts receivable | | | | 10,938 |
| Loans receivable | | | | |
| Advances from other funds | | | | |
| Land held for resale | | | | |
| Deposits | | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$ 358,195</u> | <u>\$ 213,211</u> | <u>\$ 70,483</u> | <u>\$ 32,457</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 10,671 | \$ 1,525 | | \$ 1,564 |
| Accrued liabilities | | | | |
| Deposits | | | | |
| Due to other funds | | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <u>10,671</u> | <u>1,525</u> | <hr/> | <u>1,564</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Loans receivable | | | | |
| Land held for resale | | | | |
| Deposits with court | | | | |
| Domestic violence grant | | | | |
| Advances to other funds | | | | |
| Unreserved | <u>347,524</u> | <u>211,686</u> | <u>\$ 70,483</u> | <u>30,893</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | <u>347,524</u> | <u>211,686</u> | <u>70,483</u> | <u>30,893</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Balances | <u>\$ 358,195</u> | <u>\$ 213,211</u> | <u>\$ 70,483</u> | <u>\$ 32,457</u> |

| Measure A | Special Deposits | Transfer Station Road | Totals |
|---------------------|---------------------|-----------------------------|----------------------|
| \$ 2,697,835 | \$ 720,271 | \$ 182,137 | \$ 11,904,092 |
| 22,578 | 5,971 | 1,510 | 99,000 |
| 419,804 | | 73,290 | 703,496 |
| | | | 236,000 |
| | | | 390,393 |
| | | | 7,100,837 |
| | | | 17,200 |
| <u>\$ 3,140,217</u> | <u>\$ 726,242</u> | <u>\$ 256,937</u> | <u>\$ 20,451,018</u> |
| | | | |
| \$ 67,094 | \$ 10,337 | | \$ 127,020 |
| 10,979 | | | 18,170 |
| | 712,219 | | 725,183 |
| | | | 32,774 |
| <u>78,073</u> | <u>722,556</u> | | <u>903,147</u> |
| | | | |
| | | | 236,000 |
| | | | 7,100,837 |
| | | | 17,200 |
| | | | 52,578 |
| | | | 390,393 |
| <u>3,062,144</u> | <u>3,686</u> | <u>\$ 256,937</u> | <u>11,750,863</u> |
| <u>3,062,144</u> | <u>3,686</u> | <u>256,937</u> | <u>19,547,871</u> |
| | | | |
| <u>\$ 3,140,217</u> | <u>\$ 726,242</u> | <u>\$ 256,937</u> | <u>\$ 20,451,018</u> |

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
June 30, 2005

| | Low Moderate Housing | Fire Flow Upgrade | Master Underground Plan | NPDES Program |
|---|-----------------------------|----------------------|-------------------------------|----------------------|
| Revenues: | | | | |
| Taxes | \$ 3,517,260 | | | |
| Intergovernmental | | | | \$ 6,178 |
| Licenses and permits | | | \$ 130,482 | |
| Charges for services | | | | |
| Interest | 40,113 | | 28,350 | 1 |
| Miscellaneous | 712,816 | | | |
| | <u>4,270,189</u> | <u></u> | <u>158,832</u> | <u>6,179</u> |
| Total Revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| General government | | | | |
| Community development | 1,525,105 | | | |
| Public safety | | | | |
| Public works | | | | |
| Capital outlay | 809,522 | | 19,614 | |
| Debt service: | | | | |
| Principal | 825 | | | |
| Interest | 4,856 | | | |
| | <u>2,340,308</u> | <u></u> | <u>19,614</u> | <u></u> |
| Total Expenditures | | | | |
| Excess of Revenues Over (Under) Expenditures | <u>1,929,881</u> | <u></u> | <u>139,218</u> | <u>6,179</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 1,350 | | | |
| Transfers out | (3,013,500) | \$ (2,844) | | (6,000) |
| Loan proceeds | 330,000 | | | |
| | <u>(2,682,150)</u> | <u>(2,844)</u> | <u></u> | <u>(6,000)</u> |
| Total Other Financing Sources (Uses) | | | | |
| Net Change in Fund Balances | (752,269) | (2,844) | 139,218 | 179 |
| Fund Balances (Deficits), Beginning | <u>12,461,869</u> | <u>2,844</u> | <u>1,295,758</u> | <u></u> |
| Fund Balances (Deficits), Ending | <u><u>\$ 11,709,600</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,434,976</u></u> | <u><u>\$ 179</u></u> |

| <u>Traffic Safety</u> | <u>Community Development Block Grant</u> | <u>State Gas Tax</u> | <u>Air Quality Improvement</u> | <u>Solid Waste</u> | <u>State Asset Forfeiture Program</u> | <u>Police Grant</u> |
|---------------------------|--|------------------------------|------------------------------------|------------------------|---|-------------------------|
| \$ 195,638 | \$ 354,291 | \$ 927,216 | \$ 31,305 | \$ 13,124 | | \$ 332,515 |
| 13,333 | | 17,796 | 4,610 | 431,371 1,279 | \$ 134 | 1,778 |
| <u>208,971</u> | <u>354,291</u> | <u>945,012</u> | <u>35,915</u> | <u>445,774</u> | <u>134</u> | <u>334,293</u> |
| 5,655 | | | | 450,001 | | |
| | | | | | | 181,859 |
| 14,071 | 289,184 | 630,747 52,491 | 1,607 | 276,376 | | 44,460 |
| <u>19,726</u> | <u>289,184</u> | <u>683,238</u> | <u>1,607</u> | <u>726,377</u> | | <u>226,319</u> |
| <u>189,245</u> | <u>65,107</u> | <u>261,774</u> | <u>34,308</u> | <u>(280,603)</u> | <u>134</u> | <u>107,974</u> |
| (55,304) | | 10,156 (262,292) | (19,263) | (171,848) | | (154,012) |
| <u>(55,304)</u> | | <u>(252,136)</u> | <u>(19,263)</u> | <u>(171,848)</u> | | <u>(154,012)</u> |
| 133,941 | 65,107 | 9,638 | 15,045 | (452,451) | 134 | (46,038) |
| <u>603,895</u> | <u>(97,881)</u> | <u>823,565</u> | <u>222,455</u> | <u>760,300</u> | <u>6,441</u> | <u>375,612</u> |
| <u>\$ 737,836</u> | <u>\$ (32,774)</u> | <u>\$ 833,203</u> | <u>\$ 237,500</u> | <u>\$ 307,849</u> | <u>\$ 6,575</u> | <u>\$ 329,574</u> |

(Continued)

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (Continued)
June 30, 2005

| | <u>Police Donations</u> | <u>Fire Donations</u> | <u>Telecom- munications Equipment</u> | <u>Landscape and Lighting District</u> |
|---|-----------------------------|---------------------------|---|--|
| Revenues: | | | | |
| Taxes | | | | \$ 338,905 |
| Intergovernmental | | \$ 99,958 | | |
| Licenses and permits | | | | |
| Charges for services | | | | |
| Interest | \$ 7,189 | 5,149 | \$ 1,400 | 45 |
| Miscellaneous | <u>194,036</u> | <u>27,576</u> | <u> </u> | <u> </u> |
| Total Revenues | <u>201,225</u> | <u>132,683</u> | <u>1,400</u> | <u>338,950</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | | | 7,857 | 162,668 |
| Community development | | | | |
| Public safety | 168,064 | 118,852 | | |
| Public works | | | | |
| Capital outlay | | | | |
| Debt service: | | | | |
| Principal | | | | |
| Interest | | | | |
| Total Expenditures | <u>168,064</u> | <u>118,852</u> | <u>7,857</u> | <u>162,668</u> |
| Excess of Revenues Over (Under) Expenditures | <u>33,161</u> | <u>13,831</u> | <u>(6,457)</u> | <u>176,282</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | | | | 842 |
| Transfers out | (13,105) | | | (175,000) |
| Loan proceeds | | | | |
| Total Other Financing Sources (Uses) | <u>(13,105)</u> | <u> </u> | <u> </u> | <u>(174,158)</u> |
| Net Change in Fund Balances | 20,056 | 13,831 | (6,457) | 2,124 |
| Fund Balances (Deficits), Beginning | <u>327,468</u> | <u>197,855</u> | <u>76,940</u> | <u>28,769</u> |
| Fund Balances (Deficits), Ending | <u><u>\$ 347,524</u></u> | <u><u>\$ 211,686</u></u> | <u><u>\$ 70,483</u></u> | <u><u>\$ 30,893</u></u> |

| <u>Measure A</u> | <u>Special Deposits</u> | <u>Transfer Station Road</u> | <u>Totals</u> |
|---------------------|-----------------------------|--------------------------------------|----------------------|
| | | | \$ 4,051,803 |
| \$ 1,615,093 | | | 3,379,680 |
| | | | 130,482 |
| | | \$ 255,574 | 686,945 |
| 56,646 | \$ 3,686 | 1,363 | 182,872 |
| | | | 934,428 |
| <u>1,671,739</u> | <u>3,686</u> | <u>256,937</u> | <u>9,366,210</u> |
| 162,290 | | | 788,471 |
| | | | 1,525,105 |
| | | | 468,775 |
| 697,070 | | | 1,329,424 |
| 377,557 | | | 1,883,275 |
| | | | 825 |
| | | | 4,856 |
| <u>1,236,917</u> | | | <u>6,000,731</u> |
| 434,822 | 3,686 | 256,937 | 3,365,479 |
| | | | 12,348 |
| (342,292) | | | (4,215,460) |
| | | | 330,000 |
| <u>(342,292)</u> | | | <u>(3,873,112)</u> |
| 92,530 | 3,686 | 256,937 | (507,633) |
| <u>2,969,614</u> | | | <u>20,055,504</u> |
| <u>\$ 3,062,144</u> | <u>\$ 3,686</u> | <u>\$ 256,937</u> | <u>\$ 19,547,871</u> |

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NONMAJOR DEBT SERVICE FUNDS

Debt service funds are used primarily to account for the accumulation of resources for the payment of principal and interest on general long-term debt of the City and Redevelopment Agency.

Redevelopment Agency Area 1 and Area 2 Funds – Account for payments of principal and interest for long-term debt of the City of Cathedral City Redevelopment Agency.

Big League Dreams Fund – Accounts for the loan to construct Big League Dreams and payments of principal and interest.

2002 D Housing Bonds – Account for the payments of principal and interest issued by 2002 D Bonds.

2002 E Housing Bonds – Account for the payments of principal and interest issued by 2002 E Bonds.

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2005

| <u>Assets</u> | Redevelopment Agency Area 1 | Redevelopment Agency Area 2 | Big League Dreams |
|---|-----------------------------------|-----------------------------------|-------------------------|
| Cash and investments | \$ 667,163 | \$ 1,944,702 | \$ 523,932 |
| Cash and investments with fiscal agen | | 451 | 592,155 |
| Interest receivable | | | 4,343 |
| Accounts receivable | 308 | 74,354 | 124,515 |
| Loans receivable | | | 4,018,695 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$ 667,471</u> | <u>\$ 2,019,507</u> | <u>\$ 5,263,640</u> |
| <u>Liabilities and Fund Balance</u> | | | |
| Liabilities: | | | |
| Accounts payable | <hr/> | \$ 62,188 | <hr/> |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <hr/> | 62,188 | <hr/> |
| <u>Fund Balances</u> | | | |
| Reserved for: | | | |
| Loan receivable | | | \$ 4,018,695 |
| Debt service | \$ 667,471 | 1,957,319 | 1,244,945 |
| | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | <u>667,471</u> | <u>1,957,319</u> | <u>5,263,640</u> |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Balances | <u>\$ 667,471</u> | <u>\$ 2,019,507</u> | <u>\$ 5,263,640</u> |

| 2002 D Housing Bonds | 2002 E Housing Bonds | Totals |
|----------------------------|----------------------------|---------------------|
| | \$ 437 | \$ 3,136,234 |
| \$ 297 | 2,062 | 594,965 |
| | | 4,343 |
| | | 199,177 |
| | | 4,018,695 |
| <u>\$ 297</u> | <u>\$ 2,499</u> | <u>\$ 7,953,414</u> |
| | | |
| | | \$ 62,188 |
| | | |
| | | 62,188 |
| | | |
| | | 4,018,695 |
| <u>\$ 297</u> | <u>\$ 2,499</u> | <u>3,872,531</u> |
| | | |
| <u>297</u> | <u>2,499</u> | <u>7,891,226</u> |
| | | |
| <u>\$ 297</u> | <u>\$ 2,499</u> | <u>\$ 7,953,414</u> |

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
June 30, 2005

| | Redevelopment Agency Area 1 | Redevelopment Agency Area 2 | Big League Dreams |
|--|-----------------------------------|-----------------------------------|----------------------------|
| Revenues: | | | |
| Taxes | \$ 867,629 | \$ 3,383,536 | |
| Interest | | 611 | \$ 484,583 |
| Miscellaneous | | | 5,765 |
| Total Revenues | <u>867,629</u> | <u>3,384,147</u> | <u>490,348</u> |
| Expenditures: | | | |
| Community development | 18,363 | 72,987 | 2,930 |
| Payments under pass-through agreements | 93,468 | 480,305 | |
| Debt service: | | | |
| Principal | | | 85,000 |
| Interest | <u>5,546</u> | | <u>421,875</u> |
| Total Expenditures | <u>117,377</u> | <u>553,292</u> | <u>509,805</u> |
| Excess of Revenues Over (Under) Expenditures | <u>750,252</u> | <u>2,830,855</u> | <u>(19,457)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 2,452,510 | 545,870 | |
| Transfers out | <u>(348,704)</u> | <u>(3,732,375)</u> | |
| Total Other Financing Sources (Uses) | <u>2,103,806</u> | <u>(3,186,505)</u> | |
| Net Change in Fund Balances | 2,854,058 | (355,650) | (19,457) |
| Fund Balances (Deficits), Beginning | <u>(2,186,587)</u> | <u>2,312,969</u> | <u>5,283,097</u> |
| Fund Balances, Ending | <u><u>\$ 667,471</u></u> | <u><u>\$ 1,957,319</u></u> | <u><u>\$ 5,263,640</u></u> |

| 2002 D Housing Bonds | 2002 E Housing Bonds | Totals |
|----------------------------|----------------------------|--------------|
| | | \$ 4,251,165 |
| \$ 345 | \$ 2,063 | 487,602 |
| | | 5,765 |
| 345 | 2,063 | 4,744,532 |
| 4,738 | 2,852 | 101,870 |
| | | 573,773 |
| | | 85,000 |
| | | 427,421 |
| 4,738 | 2,852 | 1,188,064 |
| (4,393) | (789) | 3,556,468 |
| 1,429,054 | 1,037,210 | 5,464,644 |
| (1,424,456) | (1,033,990) | (6,539,525) |
| 4,598 | 3,220 | (1,074,881) |
| 205 | 2,431 | 2,481,587 |
| 92 | 68 | 5,409,639 |
| \$ 297 | \$ 2,499 | \$ 7,891,226 |

NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds account for the financial resources to be used for the acquisition, construction, or improvements of major capital facilities and infrastructure.

Redevelopment Agency Area 2 & 3 Capital Project Funds – Accounts for the acquisition, improvement, and rehabilitation of property within the Merged Project Areas.

Redevelopment Agency Administration – Accounts for administrative costs related to the Redevelopment Agency.

2004 TAB A Capital Projects – Accounts for reimbursement to the Merged Project Area for development of a hotel/golf course, reimbursement to the General Fund for soft costs and for miscellaneous capital improvements.

2004 TAB B Capital Projects – Accounts for loans to developer for the development of a hotel and golf course.

2005 TAB A Capital Projects – Accounts for miscellaneous capital improvements in the Merged Project Area and Area 3.

Police and Fire Facilities Fund – Accounts for the purchase of fire and police land, buildings, and replacement equipment. Financing is provided by developer's fees.

Traffic Signalization Fund – Accounts for the installation of traffic signals. Financing is provided by developer's fees.

Street Improvement Bonds Fund – Accounts for curbs, gutter, and sewer construction within the assessment area. Financing is provided by proceeds for Special Assessment Bonds and monies collected from developers.

Assessment District 85-1 Fund – Accounts for curbs, gutter, and sewer construction within Assessment District 85-1. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 86-1 Fund – Accounts for certain street, water, and sewer improvements within Assessment District 86-1. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 86-5 Fund – Accounts for certain street, water, and sewer improvements within Assessment District 86-5. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 87-2 Fund – Accounts for certain street, water, and sewer improvements within Assessment District 87-2. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

NONMAJOR CAPITAL PROJECTS FUNDS (Continued)

Assessment District 88-2 Fund – Accounts for improvements within Assessment District 88-2. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 88-3 Fund – Accounts for improvements within Assessment District 88-3. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 96-1 Fund – Accounts for improvements within Assessment District 96-1. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

Assessment District 2000-1 Fund – Accounts for improvements within Assessment District 2000-1. Financing is provided by the proceeds from the issuance of Limited Obligation Improvement Bonds.

CFD Rio Vista Fund – Accounts for improvements within the Rio Vista Community Facilities District. Financing is provided by contributions from property owners.

Assessment District 03-01 – Accounts for improvements within Assessment District 03-01, 35th Avenue. Financing is provided by the proceeds from issuance of Limited Obligation Improvement Bonds.

Assessment District 04-01 – Accounts for improvement within Assessment District 04-01, Dream Homes. Financing is provided by the proceeds from issuance of Limited Obligation Improvement Bonds.

Assessment District 04-02 – Accounts for improvement within Improvement District 04-02, Cove. Financing is provided by the proceeds from issuance of Limited Obligation Improvement Bonds.

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2005

| <u>Assets</u> | Redevelopment Agency Area 2 | Redevelopment Agency Area 3 | Redevelopment Agency Administration | 2004 TAB "A" Capital Project |
|---|-----------------------------------|-----------------------------------|---|---------------------------------------|
| Cash and investments | \$ 905,636 | \$ 3,048,904 | \$ 211,445 | \$ 2,619,087 |
| Cash and investments with fiscal agent | | | | |
| Interest receivable | 23,792 | 49,886 | 1,753 | 21,712 |
| Accounts receivable | | 112,953 | 72,317 | |
| Loans receivable | 110,607 | | | |
| Prepays | | | 99,827 | |
| Land held for resale | 6,415,039 | 7,314,671 | | |
| Deposits | | 355,600 | | |
| | | | | |
| Total Assets | <u>\$ 7,455,074</u> | <u>\$ 10,882,014</u> | <u>\$ 385,342</u> | <u>\$ 2,640,799</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 56,014 | | \$ 24,925 | |
| Accrued liabilities | | | 16,281 | |
| Deposits | | \$ 1,000 | | |
| Due to other funds | | | | |
| Deferred revenue | | | | |
| | | | | |
| Total Liabilities | <u>56,014</u> | <u>1,000</u> | <u>41,206</u> | |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Deposits with the court | | 355,600 | | |
| Land held for resale | 6,415,039 | 7,314,671 | | |
| Loan receivable | 110,607 | | | |
| Unreserved | 873,414 | 3,210,743 | 344,136 | \$ 2,640,799 |
| | | | | |
| Total Fund Balances | <u>7,399,060</u> | <u>10,881,014</u> | <u>344,136</u> | <u>2,640,799</u> |
| | | | | |
| Total Liabilities and Fund Balances | <u>\$ 7,455,074</u> | <u>\$ 10,882,014</u> | <u>\$ 385,342</u> | <u>\$ 2,640,799</u> |

| 2004 TAB "B" Capital Project | 2005 TAB "A" Capital Project | Police and Fire Facilities | Traffic Signalization | Street Improvements | Assessment District 85-1 | Assessment District 86-1 |
|---------------------------------------|---------------------------------------|----------------------------------|--------------------------|------------------------|--------------------------------|--------------------------------|
| \$ 8,296,493 | | \$ 325,020 | \$ 254,679 | | \$ 1,892 | \$ 550,386 |
| 68,778 | | 2,695 | 2,112 | | | |
| <u>\$ 8,365,271</u> | <u>\$ -</u> | <u>\$ 327,715</u> | <u>\$ 256,791</u> | <u>\$ -</u> | <u>\$ 1,892</u> | <u>\$ 550,386</u> |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| <u>\$ 8,365,271</u> | | <u>\$ 327,715</u> | <u>\$ 256,791</u> | | <u>\$ 1,892</u> | <u>\$ 550,386</u> |
| <u>8,365,271</u> | | <u>327,715</u> | <u>256,791</u> | | <u>1,892</u> | <u>550,386</u> |
| <u>\$ 8,365,271</u> | <u>\$ -</u> | <u>\$ 327,715</u> | <u>\$ 256,791</u> | <u>\$ -</u> | <u>\$ 1,892</u> | <u>\$ 550,386</u> |

(Continued)

CITY OF CATHEDRAL CITY
Combining Balance Sheet
Nonmajor Capital Projects Funds (Continued)
June 30, 2005

| <u>Assets</u> | Assessment District 86-5 | Assessment District 87-2 | Assessment District 88-2 | Assessment District 88-3 |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Cash and investments | \$ 121,381 | \$ 8,871 | \$ 105,941 | \$ 215,934 |
| Cash and investments with fiscal agent | | | | |
| Interest receivable | | | | |
| Accounts receivable | | | | |
| Loans receivable | | | | |
| Prepays | | | | |
| Land held for resale | | | | |
| Deposits | | | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u><u>\$ 121,381</u></u> | <u><u>\$ 8,871</u></u> | <u><u>\$ 105,941</u></u> | <u><u>\$ 215,934</u></u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Accrued liabilities | | | | |
| Deposits | | | | |
| Due to other funds | | | | |
| Deferred revenue | | | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Deposits with the court | | | | |
| Land held for resale | | | | |
| Loan receivable | | | | |
| Unreserved | <u>\$ 121,381</u> | <u>\$ 8,871</u> | <u>\$ 105,941</u> | <u>\$ 215,934</u> |
| Total Fund Balances | <u>121,381</u> | <u>8,871</u> | <u>105,941</u> | <u>215,934</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 121,381</u></u> | <u><u>\$ 8,871</u></u> | <u><u>\$ 105,941</u></u> | <u><u>\$ 215,934</u></u> |

| Assessment District 96-1 | Assessment District 01-01 | CFD Rio Vista | Assessment District 03-01 | Assessment District 04-01 | Assessment District 04-02 | Totals |
|--------------------------------|---------------------------------|---------------------|---------------------------------|---------------------------------|---------------------------------|----------------------|
| | \$ 16,076 | | | | \$ 260,189 | \$ 16,941,934 |
| | 436,772 | \$ 2,271,878 | \$ 3,781,144 | \$ 5,372,964 | | 11,862,758 |
| | | | | | | 170,728 |
| | | | | | | 185,270 |
| | | | | | | 110,607 |
| | | | | | | 99,827 |
| | | | | | | 13,729,710 |
| | | | | | | 355,600 |
| <u>\$ -</u> | <u>\$ 452,848</u> | <u>\$ 2,271,878</u> | <u>\$ 3,781,144</u> | <u>\$ 5,372,964</u> | <u>\$ 260,189</u> | <u>\$ 43,456,434</u> |
| | | | \$ 458,829 | \$ 1,806 | \$ 91,938 | \$ 633,512 |
| | | | | | | 16,281 |
| | | | | | | 1,000 |
| | | | 520,024 | 25,708 | | 545,732 |
| | \$ 372,400 | | | | | 372,400 |
| | 372,400 | | 978,853 | 27,514 | 91,938 | 1,568,925 |
| | | | | | | 355,600 |
| | | | | | | 13,729,710 |
| | | | | | | 110,607 |
| | 80,448 | \$ 2,271,878 | 2,802,291 | 5,345,450 | 168,251 | 27,691,592 |
| | 80,448 | 2,271,878 | 2,802,291 | 5,345,450 | 168,251 | 41,887,509 |
| <u>\$ -</u> | <u>\$ 452,848</u> | <u>\$ 2,271,878</u> | <u>\$ 3,781,144</u> | <u>\$ 5,372,964</u> | <u>\$ 260,189</u> | <u>\$ 43,456,434</u> |

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
June 30, 2005

| | Redevelopment Agency Area 2 | Redevelopment Agency Area 3 | Redevelopment Agency Administration | 2004 TAB "A" Capital Project |
|---|-----------------------------------|-----------------------------------|---|------------------------------------|
| Revenues: | | | | |
| Licenses and permits | | | | |
| Interest | \$ 49,595 | \$ 113,709 | \$ 9,594 | \$ 38,342 |
| Miscellaneous | | 6,000 | | |
| Total Revenues | 49,595 | 119,709 | 9,594 | 38,342 |
| Expenditures: | | | | |
| Community development | | 1,000,000 | 1,437,776 | |
| Payments under pass-through agreements | | | 799,817 | |
| Capital outlay | 886,898 | 109,408 | 37,505 | |
| Cost of issuance | | | | 466,035 |
| Total Expenditures | 886,898 | 1,109,408 | 2,275,098 | 466,035 |
| Excess of Revenues Over (Under) Expenditures | (837,303) | (989,699) | (2,265,504) | (427,693) |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | | | | 21,393,031 |
| Bond refunding | | | | (16,924,539) |
| Transfers in | | | 6,401,225 | |
| Transfers out | (996,275) | | (802,890) | (1,400,000) |
| Total Other Financing Sources (Uses) | (996,275) | | 5,598,335 | 3,068,492 |
| Net Change in Fund Balances | (1,833,578) | (989,699) | 3,332,831 | 2,640,799 |
| Fund Balances (Deficits), Beginning | 9,232,638 | 11,870,713 | (2,988,695) | |
| Fund Balances, Ending | \$ 7,399,060 | \$ 10,881,014 | \$ 344,136 | \$ 2,640,799 |

| <u>2004 TAB "B" Capital Project</u> | <u>2005 TAB "A" Capital Project</u> | <u>Police and Fire Facilities</u> | <u>Traffic Signalization</u> | <u>Street Improvements</u> | <u>Assessment District 85-1</u> | <u>Assessment District 86-1</u> |
|---|---|---|----------------------------------|--------------------------------|---|---|
| \$ 93,944 | | \$ 129,000 3,910 | \$ 64,500 4,011 | | | |
| <u>93,944</u> | | <u>132,910</u> | <u>68,511</u> | | | |
| 194,703 | | | 181,056 | | | \$ 5,500 |
| <u>194,703</u> | | | <u>181,056</u> | | | <u>5,500</u> |
| <u>(100,759)</u> | | <u>132,910</u> | <u>(112,545)</u> | | | <u>(5,500)</u> |
| 8,466,030 | | | | | | |
| | | <u>(75,000)</u> | | \$ (512,197) | | |
| <u>8,466,030</u> | | <u>(75,000)</u> | | <u>(512,197)</u> | | |
| 8,365,271 | | 57,910 | (112,545) | (512,197) | | (5,500) |
| | | <u>269,805</u> | <u>369,336</u> | <u>512,197</u> | \$ 1,892 | <u>555,886</u> |
| <u>\$ 8,365,271</u> | <u>\$ -</u> | <u>\$ 327,715</u> | <u>\$ 256,791</u> | <u>\$ -</u> | <u>\$ 1,892</u> | <u>\$ 550,386</u> |

(Continued)

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds (Continued)
June 30, 2005

| | Assessment District 86-5 | Assessment District 87-2 | Assessment District 88-2 | Assessment District 88-3 |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Licenses and permits | | | | |
| Interest | | | | |
| Miscellaneous | | | | |
| | | | | |
| Total Revenues | | | | |
| Expenditures: | | | | |
| Community development | | | | |
| Payments under | | | | |
| pass-through agreements | | | | |
| Capital outlay | | | | |
| Cost of issuance | | | | |
| | | | | |
| Total Expenditures | | | | |
| | | | | |
| Excess of Revenues Over (Under) Expenditures | | | | |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | | | | |
| Bond refunding | | | | |
| Transfers in | | | | |
| Transfers out | | | | |
| | | | | |
| Total Other Financing Sources (Uses) | | | | |
| | | | | |
| Net Change in Fund Balances | | | | |
| Fund Balances, Beginning | \$ 121,381 | \$ 8,871 | \$ 105,941 | \$ 215,934 |
| Fund Balances (Deficits), Ending | \$ 121,381 | \$ 8,871 | \$ 105,941 | \$ 215,934 |

| Assessment District 96-1 | Assessment District 01-01 | Rio Vista CFD | Assessment District 03-01 | Assessment District 04-01 | Assessment District 04-02 | Totals |
|--------------------------------|---------------------------------|------------------|---------------------------------|---------------------------------|---------------------------------|---------------|
| | | | | | | \$ 193,500 |
| \$ 800 | \$ 5,404 | | \$ 71,168 | \$ 68,491 | | 458,968 |
| | | | 1,825 | | | 7,825 |
| 800 | 5,404 | | 72,993 | 68,491 | | 660,293 |
| | | | | | | 2,437,776 |
| 331,924 | | \$ 742,780 | 3,210,366 | 43,895 | \$ 181,749 | 799,817 |
| | | | | | | 5,731,081 |
| | | | | | | 660,738 |
| 331,924 | | 742,780 | 3,210,366 | 43,895 | 181,749 | 9,629,412 |
| (331,124) | 5,404 | (742,780) | (3,137,373) | 24,596 | (181,749) | (8,969,119) |
| | | | | | | 29,859,061 |
| 9,308 | | | 5,939,664 | 5,320,854 | 350,000 | (16,924,539) |
| (180,494) | | | | | | 18,021,051 |
| | | | | | | (3,966,856) |
| (171,186) | | | 5,939,664 | 5,320,854 | 350,000 | 26,988,717 |
| (502,310) | 5,404 | (742,780) | 2,802,291 | 5,345,450 | 168,251 | 18,019,598 |
| 502,310 | 75,044 | 3,014,658 | | | | 23,867,911 |
| \$ - | \$ 80,448 | \$ 2,271,878 | \$ 2,802,291 | \$ 5,345,450 | \$ 168,251 | \$ 41,887,509 |

CITY OF CATHEDRAL CITY
 Budgetary Comparison Schedule
 Low and Moderate Housing Fund
 For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|----------------------|----------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 4,434,522 | \$ 3,517,260 | \$ (917,262) |
| Interest | 40,000 | 40,113 | 113 |
| Miscellaneous | 300,000 | 712,816 | 412,816 |
| Total Revenue | <u>4,774,522</u> | <u>4,270,189</u> | <u>(504,333)</u> |
| Expenditures: | | | |
| Community development | 519,505 | 1,525,105 | (1,005,600) |
| Capital outlay | 2,425,302 | 809,522 | 1,615,780 |
| Principal | | 825 | (825) |
| Interest | | 4,856 | (4,856) |
| Total Expenditures | <u>2,944,807</u> | <u>2,340,308</u> | <u>604,499</u> |
| Excess of Revenues Over Expenditures | <u>1,829,715</u> | <u>1,929,881</u> | <u>100,166</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | | 1,350 | 1,350 |
| Transfers out | (3,007,182) | (3,013,500) | (6,318) |
| Loan proceeds | 500,000 | 330,000 | (170,000) |
| Total Other Financing Sources (Uses) | <u>(2,507,182)</u> | <u>(2,682,150)</u> | <u>(174,968)</u> |
| Net Change in Fund Balance | <u>(677,467)</u> | <u>(752,269)</u> | <u>(74,802)</u> |
| Fund Balance, Beginning | <u>12,461,869</u> | <u>12,461,869</u> | |
| Fund Balance, Ending | <u>\$ 11,784,402</u> | <u>\$ 11,709,600</u> | <u>\$ (74,802)</u> |

CITY OF CATHEDRAL CITY
Master Underground Plan
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|----------------------------|-----------------------------|----------------------------|------------------------------------|
| Revenue: | | | |
| Licenses and permits | \$ 165,000 | \$ 130,482 | \$ (34,518) |
| Interest | <u>15,000</u> | <u>28,350</u> | <u>13,350</u> |
| Total Revenue | 180,000 | 158,832 | (21,168) |
| Expenditures: | | | |
| Capital outlay | <u> </u> | <u>19,614</u> | <u>(19,614)</u> |
| Net Change in Fund Balance | 180,000 | 139,218 | (40,782) |
| Fund Balance, Beginning | <u>1,295,758</u> | <u>1,295,758</u> | <u> </u> |
| Fund Balance, Ending | <u><u>\$ 1,475,758</u></u> | <u><u>\$ 1,434,976</u></u> | <u><u>\$ (40,782)</u></u> |

CITY OF CATHEDRAL CITY
NPDES Program
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-----------------|------------------|------------------------------------|
| Revenue: | | | |
| Intergovernmental | \$ 16,000 | \$ 6,178 | \$ (9,822) |
| Interest | | 1 | 1 |
| | | | |
| Total Revenue | 16,000 | 6,179 | (9,821) |
| | | | |
| Expenditures: | | | |
| General government | 10,100 | | 10,100 |
| | | | |
| Excess of Revenues Over Expenditures | 5,900 | 6,179 | 279 |
| | | | |
| Other Financing Uses: | | | |
| Transfers out | (6,000) | (6,000) | |
| | | | |
| Net Change in Fund Balance | (100) | 179 | 279 |
| | | | |
| Fund Balance, Beginning | | | |
| | | | |
| Fund Balance, Ending | \$ (100) | \$ 179 | \$ 279 |

CITY OF CATHEDRAL CITY
Traffic Safety
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-----------------|------------------|------------------------------------|
| Revenue: | | | |
| Taxes | | \$ 195,638 | \$ 195,638 |
| Interest | | 13,333 | 13,333 |
| | | | |
| Total Revenue | | 208,971 | 208,971 |
| Expenditures: | | | |
| General government | | 5,655 | (5,655) |
| Capital outlay | | 14,071 | (14,071) |
| | | | |
| Total Expenditures | | 19,726 | (19,726) |
| | | | |
| Excess of Revenues Over Expenditures | | 189,245 | 189,245 |
| Other Financing Uses: | | | |
| Transfers out | \$ (55,304) | (55,304) | |
| | | | |
| Net Change in Fund Balance | (55,304) | 133,941 | 189,245 |
| | | | |
| Fund Balance, Beginning | 603,895 | 603,895 | |
| | | | |
| Fund Balance, Ending | \$ 548,591 | \$ 737,836 | \$ 189,245 |

CITY OF CATHEDRAL CITY
Community Development Block Grant
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|----------------------------|-----------------|------------------|------------------------------------|
| Revenue: | | | |
| Intergovernmental | | \$ 354,291 | \$ 354,291 |
| Expenditures: | | | |
| Capital outlay | | 289,184 | (289,184) |
| Net Change in Fund Balance | | 65,107 | 65,107 |
| Fund Balance, Beginning | \$ (97,881) | (97,881) | |
| Fund Balance, Ending | \$ (97,881) | \$ (32,774) | \$ 65,107 |

CITY OF CATHEDRAL CITY
State Gas Tax
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-----------------|------------------|------------------------------------|
| Revenue: | | | |
| Intergovernmental | \$ 765,000 | \$ 927,216 | \$ 162,216 |
| Interest | | 17,796 | 17,796 |
| Total Revenue | 765,000 | 945,012 | 180,012 |
| Expenditures: | | | |
| Public works | 677,850 | 630,747 | 47,103 |
| Capital outlay | | 52,491 | (52,491) |
| Total Expenditures | 677,850 | 683,238 | (5,388) |
| Excess of Revenues Over Expenditures | 87,150 | 261,774 | 174,624 |
| Other Financing Sources (Uses): | | | |
| Transfers in | | 10,156 | 10,156 |
| Transfers out | (262,292) | (262,292) | |
| Total Other Financing Sources (Uses) | (262,292) | (252,136) | 10,156 |
| Net Change in Fund Balance | (175,142) | 9,638 | 184,780 |
| Fund Balance, Beginning | 823,565 | 823,565 | |
| Fund Balance, Ending | \$ 648,423 | \$ 833,203 | \$ 184,780 |

CITY OF CATHEDRAL CITY
Air Quality Improvement
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-------------------|-------------------|------------------------------------|
| Revenue: | | | |
| Intergovernmental | \$ 39,822 | \$ 31,305 | \$ (8,517) |
| Interest | 4,000 | 4,610 | 610 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenue | 43,822 | 35,915 | (7,907) |
| Expenditures: | | | |
| Public works | | 1,607 | (1,607) |
| | <hr/> | <hr/> | <hr/> |
| Excess of Revenues Over Expenditures | 43,822 | 34,308 | (9,514) |
| Other Financing Uses: | | | |
| Transfers out | (65,000) | (19,263) | 45,737 |
| | <hr/> | <hr/> | <hr/> |
| Net Change in Fund Balance | (21,178) | 15,045 | 36,223 |
| Fund Balance, Beginning, as adjusted | 222,455 | 222,455 | |
| | <hr/> | <hr/> | <hr/> |
| Fund Balance, Ending | <u>\$ 201,277</u> | <u>\$ 237,500</u> | <u>\$ 36,223</u> |

CITY OF CATHEDRAL CITY
Solid Waste
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-----------------|------------------|------------------------------------|
| Revenue: | | | |
| Intergovernmental | | \$ 13,124 | \$ 13,124 |
| Charges for services | \$ 254,000 | 431,371 | 177,371 |
| Interest | | 1,279 | 1,279 |
| Total Revenue | 254,000 | 445,774 | 191,774 |
| Expenditures: | | | |
| General government | 576,400 | 450,001 | 126,399 |
| Capital outlay | 104,000 | 276,376 | (172,376) |
| Total Expenditures | 680,400 | 726,377 | (45,977) |
| Excess of Revenues Over Expenditures | (426,400) | (280,603) | 145,797 |
| Other Financing Uses: | | | |
| Transfers out | | (171,848) | (171,848) |
| Net Change in Fund Balance | (426,400) | (452,451) | (26,051) |
| Fund Balance, Beginning, as adjusted | 760,300 | 760,300 | |
| Fund Balance, Ending | \$ 333,900 | \$ 307,849 | \$ (26,051) |

CITY OF CATHEDRAL CITY
State Asset Forfeiture Program
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | <u>Budget Final</u> | <u>Actual Amount</u> | <u>Variance Positive (Negative)</u> |
|-------------------------|-------------------------|--------------------------|---|
| Revenue: | | | |
| Interest | | \$ 134 | \$ 134 |
| Fund Balance, Beginning | <u>\$ 6,441</u> | <u>6,441</u> | <u> </u> |
| Fund Balance, Ending | <u><u>\$ 6,441</u></u> | <u><u>\$ 6,575</u></u> | <u><u>\$ 134</u></u> |

CITY OF CATHEDRAL CITY
Police Grant
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-----------------|------------------|------------------------------------|
| Revenue: | | | |
| Intergovernmental | | \$ 332,515 | \$ 332,515 |
| Interest | | 1,778 | 1,778 |
| | | | |
| Total Revenue | | 334,293 | 334,293 |
| | | | |
| Expenditures: | | | |
| Public safety | | 181,859 | (181,859) |
| Capital outlay | | 44,460 | (44,460) |
| | | | |
| Total Expenditures | | 226,319 | (226,319) |
| | | | |
| Excess of Revenues Over Expenditures | | 107,974 | 107,974 |
| | | | |
| Other Financing Uses: | | | |
| Transfers out | | (154,012) | (154,012) |
| | | | |
| Net Change in Fund Balance | | (46,038) | (46,038) |
| | | | |
| Fund Balance, Beginning | \$ 375,612 | 375,612 | |
| | | | |
| Fund Balance, Ending | \$ 375,612 | \$ 329,574 | \$ (46,038) |

CITY OF CATHEDRAL CITY
Police Donations
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-------------------|-------------------|------------------------------------|
| Revenue: | | | |
| Miscellaneous | \$ 90,600 | \$ 194,036 | \$ 103,436 |
| Interest | | 7,189 | 7,189 |
| | | | |
| Total Revenue | 90,600 | 201,225 | 110,625 |
| | | | |
| Expenditures: | | | |
| Public safety | 75,600 | 168,064 | (92,464) |
| | | | |
| Excess of Revenues Over Expenditures | 15,000 | 33,161 | 18,161 |
| | | | |
| Other Financing Uses: | | | |
| Transfers out | | (13,105) | (13,105) |
| | | | |
| Net Change in Fund Balance | 15,000 | 20,056 | 5,056 |
| | | | |
| Fund Balance, Beginning | 327,468 | 327,468 | |
| | | | |
| Fund Balance, Ending | <u>\$ 342,468</u> | <u>\$ 347,524</u> | <u>\$ 5,056</u> |

CITY OF CATHEDRAL CITY
Fire Donations
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|----------------------------|-------------------|-------------------|------------------------------------|
| Revenue: | | | |
| Intergovernmental | \$ 82,000 | \$ 99,958 | \$ 17,958 |
| Interest | 1,500 | 5,149 | 3,649 |
| Miscellaneous | | 27,164 | 27,164 |
| | | | |
| Total Revenue | 83,500 | 132,271 | 48,771 |
| Expenditures: | | | |
| Public safety | 76,000 | 118,440 | (42,440) |
| | | | |
| Net Change in Fund Balance | 7,500 | 13,831 | 6,331 |
| Fund Balance, Beginning | 197,855 | 197,855 | |
| Fund Balance, Ending | <u>\$ 205,355</u> | <u>\$ 211,686</u> | <u>\$ 6,331</u> |

CITY OF CATHEDRAL CITY
Telecommunication Equipment
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|----------------------------|------------------|------------------|------------------------------------|
| Revenue: | | | |
| Interest | | \$ 1,400 | \$ 1,400 |
| Expenditures: | | | |
| General government | | 7,857 | (7,857) |
| Net Change in Fund Balance | | (6,457) | (6,457) |
| Fund Balance, Beginning | \$ 76,940 | 76,940 | |
| Fund Balance, Ending | <u>\$ 76,940</u> | <u>\$ 70,483</u> | <u>\$ (6,457)</u> |

CITY OF CATHEDRAL CITY
Landscape and Lighting District
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-----------------|------------------|------------------------------------|
| Revenue: | | | |
| Taxes | \$ 34,997 | \$ 338,905 | \$ 303,908 |
| Interest | | 45 | 45 |
| Total Revenue | 34,997 | 338,950 | 303,953 |
| Expenditures: | | | |
| General government | 122,408 | 162,668 | (40,260) |
| Excess of Revenues Over Expenditures | (87,411) | 176,282 | 263,693 |
| Other Financing Uses: | | | |
| Transfers in | | 842 | 842 |
| Transfers out | (188,545) | (175,000) | 13,545 |
| Total Other Financing Sources (Uses) | (188,545) | (174,158) | 14,387 |
| Net Change in Fund Balance | (275,956) | 2,124 | 278,080 |
| Fund Balance, Beginning | 28,769 | 28,769 | |
| Fund Balance, Ending | \$ (247,187) | \$ 30,893 | \$ 278,080 |

CITY OF CATHEDRAL CITY
Measure A
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

| | Budget Final | Actual Amount | Variance Positive (Negative) |
|---|-----------------|------------------|------------------------------------|
| Revenue: | | | |
| Intergovernmental | \$ 1,391,000 | \$ 1,615,093 | \$ 224,093 |
| Interest | 30,000 | 56,646 | 26,646 |
| Total Revenue | 1,421,000 | 1,671,739 | 250,739 |
| Expenditures: | | | |
| General government | 140,500 | 162,290 | (21,790) |
| Public works | 763,100 | 697,070 | 66,030 |
| Capital outlay | 28,000 | 377,557 | (349,557) |
| Total Expenditures | 931,600 | 1,236,917 | (305,317) |
| Excess of Revenues Over Expenditures | 489,400 | 434,822 | (54,578) |
| Other Financing Sources (Uses): | | | |
| Transfers out | (342,292) | (342,292) | |
| Net Change in Fund Balance | 147,108 | 92,530 | (54,578) |
| Fund Balance, Beginning | 2,969,614 | 2,969,614 | |
| Fund Balance, Ending | \$ 3,116,722 | \$ 3,062,144 | \$ (54,578) |

INTERNAL SERVICE FUNDS

Internal service funds are used to account for activities involved in rendering services to departments within the City. Costs of materials and services used are accumulated in this fund and charged to the user departments as such goods are delivered or services rendered.

Equipment Replacement Fund – Accounts for costs of maintaining and provides for the replacement of the City's vehicles. Financing is provided by usage charges.

Liability Insurance Fund – Accounts for the cost of liability insurance for the City. Insurance costs and liability claims and other administrative costs are reflected in this fund. Financing is provided by operating transfers from other funds or usage charges to those funds and departments of the City.

CITY OF CATHEDRAL CITY
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

| | Equipment Replacement Fund | Liability Insurance Fund | Totals |
|---------------------------------|----------------------------------|--------------------------------|------------------|
| Current Assets: | | | |
| Cash and investments | \$ 648,683 | \$ 3,015,516 | \$ 3,664,199 |
| Accounts receivable | 20,897 | | 20,897 |
| Inventories | 18,018 | | 18,018 |
| | <u>687,598</u> | <u>3,015,516</u> | <u>3,703,114</u> |
| Total Current Assets | | | |
| Capital Assets: | | | |
| Vehicles | 5,530,778 | | 5,530,778 |
| Accumulated depreciation | (3,673,047) | | (3,673,047) |
| | <u>1,857,731</u> | <u></u> | <u>1,857,731</u> |
| Capital Assets, Net | | | |
| Total Assets | <u>2,545,329</u> | <u>3,015,516</u> | <u>5,560,845</u> |
| Current Liabilities | | | |
| Accounts payable | 15,544 | 4,194 | 19,738 |
| Accrued liabilities | | 12,701 | 12,701 |
| Claims payable | | 3,128,375 | 3,128,375 |
| Capital lease payable - current | 144,736 | | 144,736 |
| | <u>160,280</u> | <u>3,145,270</u> | <u>3,305,550</u> |
| Total Current Liabilities | | | |
| Noncurrent Liabilities | | | |
| Capital lease payable | 129,198 | | 129,198 |
| | <u>129,198</u> | <u></u> | <u>129,198</u> |
| Total Noncurrent Liabilities | | | |
| Total Liabilities | <u>289,478</u> | <u>3,145,270</u> | <u>3,434,748</u> |
| Net Assets: | | | |
| Invested in capital assets | 1,857,731 | | 1,857,731 |
| Unrestricted | 398,120 | (129,754) | 268,366 |
| | <u>2,255,851</u> | <u>(129,754)</u> | <u>2,126,097</u> |
| Total Net Assets | | | |

CITY OF CATHEDRAL CITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
June 30, 2005

| | Equipment Replacement Fund | Liability Insurance Fund | Totals |
|--|----------------------------------|--------------------------------|--------------|
| Operating Revenues: | | | |
| Charges for services | \$ 344,360 | \$ 3,317,692 | \$ 3,662,052 |
| Total Operating Revenues | 344,360 | 3,317,692 | 3,662,052 |
| Operating Expenses: | | | |
| Benefits | | 3,034,533 | 3,034,533 |
| Repairs, maintenance and insurance | 5,721 | 1,873,283 | 1,879,004 |
| Capital outlay | 60,870 | | 60,870 |
| Depreciation | 469,077 | | 469,077 |
| Total Operating Expenses | 535,668 | 4,907,816 | 5,443,484 |
| Operating Income (Loss) | (191,308) | (1,590,124) | (1,781,432) |
| Nonoperating Revenues (Expenses): | | | |
| Miscellaneous | 45,939 | | 45,939 |
| Interest expense | 11,375 | | 11,375 |
| Gain (loss) on sale of assets | 28,482 | | 28,482 |
| Total Nonoperating Revenues (Expenses) | 85,796 | | 85,796 |
| Operating Income (Loss) Before Operating Transfer | (105,512) | (1,590,124) | (1,695,636) |
| Other Financing Sources (Uses) | | | |
| Transfers in | 140,380 | 1,677,525 | 1,817,905 |
| Change in Net Assets | 34,868 | 87,401 | 122,269 |
| Net Assets, Beginning | 2,220,983 | (217,155) | 2,003,828 |
| Net Assets (Deficit), Ending | \$ 2,255,851 | \$ (129,754) | \$ 2,126,097 |

CITY OF CATHEDRAL CITY
Combining Statement of Cash Flows
Internal Service Funds
June 30, 2005

| | Equipment Replacement Fund | Liability Insurance Fund | Totals |
|---|----------------------------------|--------------------------------|----------------------------|
| Cash flows from operating activities: | | | |
| Cash received from other customers | \$ 323,789 | \$ 3,317,692 | \$ 3,641,481 |
| Cash payments to suppliers for goods and services | <u>(250,441)</u> | <u>(4,022,247)</u> | <u>(4,272,688)</u> |
| Net cash provided by (used in) operating services | <u>73,348</u> | <u>(704,555)</u> | <u>(631,207)</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfers in | <u>140,380</u> | <u>1,677,525</u> | <u>1,817,905</u> |
| Cash flows from capital and related activities: | | | |
| Purchase of capital assets | (750,194) | | (750,194) |
| Donated capital assest | 32,000 | | 32,000 |
| Gain on sale of capital assets | 28,482 | | 28,482 |
| Proceeds from loans | <u>159,900</u> | | <u>159,900</u> |
| Net cash flows from capital and related financing activities | <u>(529,812)</u> | | <u>(529,812)</u> |
| Cash flows from investing activities: | | | |
| Interest paid on investments | <u>11,375</u> | | <u>11,375</u> |
| Net increase (decrease) in cash and cash equivalents | (304,709) | 972,970 | 668,261 |
| Cash and cash equivalents at beginning of year | <u>953,392</u> | <u>2,042,546</u> | <u>2,995,938</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 648,683</u></u> | <u><u>\$ 3,015,516</u></u> | <u><u>\$ 3,664,199</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (337,269) | \$ (1,590,124) | \$ (1,927,393) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation | 469,077 | | 469,077 |
| Adjustments: | | | |
| (Increase) decrease in accounts receivable | (20,571) | | (20,571) |
| (Increase) decrease in inventories | (8,665) | | (8,665) |
| Increase (decrease) in claims payable | | 899,833 | 899,833 |
| Increase (decrease) in accounts payable | <u>(29,224)</u> | <u>(14,264)</u> | <u>(43,488)</u> |
| Net cash provided by (used for) operating activities | <u><u>\$ 73,348</u></u> | <u><u>\$ (704,555)</u></u> | <u><u>\$ (631,207)</u></u> |

AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, principle organizations, other governments, and/or funds.

Assessment District 85-1 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 86-1 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 86-5 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 87-2 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 88-2 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 88-3 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 96-1 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 2001-1 Fund – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

CFD Rio Vista Fund – Accounts for deposits held by the City for the Rio Vista Community Facilities District.

2004 Limited Obligation Bond A – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 03-01 – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 04-01 – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

Assessment District 04-02 – Accounts for the receipt of special assessments and payments of principal and interest on the Limited Obligation Improvement Bonds.

CITY OF CATHEDRAL CITY
Combining Statement of Net Assets
All Agency Funds
June 30, 2005

| <u>Assets</u> | Assessment District 85-1 | Assessment District 86-1 | Assessment District 86-5 | Assessment District 87-2 |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Cash and investments | \$ 726,675 | \$ 1,051,814 | \$ 554,713 | \$ 10,473 |
| Cash and investments with fiscal agent | | | | |
| Interest receivable | 6,084 | 13,239 | 5,605 | 160 |
| Due from Assessment Capital Func | | | | |
| Special assessments | <u>802,215</u> | <u>1,483,368</u> | <u>785,699</u> | <u></u> |
| Total Assets | <u><u>\$ 1,534,974</u></u> | <u><u>\$ 2,548,421</u></u> | <u><u>\$ 1,346,017</u></u> | <u><u>\$ 10,633</u></u> |
| <u>Liabilities:</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to bondholders | <u>\$ 1,534,974</u> | <u>\$ 2,548,421</u> | <u>\$ 1,346,017</u> | <u>\$ 10,633</u> |
| Total Liabilities | <u><u>\$ 1,534,974</u></u> | <u><u>\$ 2,548,421</u></u> | <u><u>\$ 1,346,017</u></u> | <u><u>\$ 10,633</u></u> |

| Assessment District 88-2 | Assessment District 88-3 | Assessment District 96-1 | Assessment District 01-01 | Rio Vista CFD | 2004 Limited Obligation Bond A |
|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------|--------------------------------------|
| \$ 404,249 | \$ 1,314,725 | \$ 536,070 | \$ 149,639 | \$ 816,981 | |
| 4,229 | 12,689 | 4,448 | 254,749 1,370 | 1,793,258 6,773 | \$ 1,890,428 |
| 551,389 | 3,585,801 | (99,795) | 2,807,656 | 25,263 | |
| <u>\$ 959,867</u> | <u>\$ 4,913,215</u> | <u>\$ 440,723</u> | <u>\$ 3,213,414</u> | <u>\$ 2,642,275</u> | <u>\$ 1,890,428</u> |
| | | | \$ 2,618 | | |
| <u>\$ 959,867</u> | <u>\$ 4,913,215</u> | <u>\$ 440,723</u> | <u>3,210,796</u> | <u>\$ 2,642,275</u> | <u>\$ 1,890,428</u> |
| <u>\$ 959,867</u> | <u>\$ 4,913,215</u> | <u>\$ 440,723</u> | <u>\$ 3,213,414</u> | <u>\$ 2,642,275</u> | <u>\$ 1,890,428</u> |

(Continued)

CITY OF CATHEDRAL CITY
Combining Statement of Net Assets
All Agency Funds (Continued)
June 30, 2005

| <u>Assets</u> | Assessment District 03-01 | Assessment District 04-01 | Assessment District 04-02 | Totals |
|---|---------------------------------|---------------------------------|---------------------------------|----------------------|
| Cash and investments | \$ 71,496 | \$ 324,753 | \$ 98,695 | \$ 6,060,283 |
| Cash and investments with fiscal agent | 475,741 | 427,989 | | 4,842,165 |
| Interest receivable | 618 | 2,718 | 2,981 | 60,914 |
| Due from Assessment Capital Func | 520,024 | 25,708 | | 545,732 |
| Special assessments | 6,470,550 | 5,822,812 | | 22,234,958 |
| Total Assets | <u>\$ 7,538,429</u> | <u>\$ 6,603,980</u> | <u>\$ 101,676</u> | <u>\$ 33,744,052</u> |
| <u>Liabilities</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | | | | \$ 2,618 |
| Due to bondholders | <u>\$ 7,538,429</u> | <u>\$ 6,603,980</u> | <u>\$ 101,676</u> | <u>33,741,434</u> |
| Total Liabilities | <u>\$ 7,538,429</u> | <u>\$ 6,603,980</u> | <u>\$ 101,676</u> | <u>\$ 33,744,052</u> |

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds
June 30, 2005

| | <u>Balance at</u> <u>June 30, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>June 30, 2005</u> |
|--|---|---------------------|---------------------|---|
| <u>Assessment District 85-1</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 717,671 | \$ 396,328 | \$ 387,324 | \$ 726,675 |
| Interest receivable | 3,308 | 11,621 | 8,845 | 6,084 |
| Special assessments | <u>1,131,258</u> | <u>775,578</u> | <u>1,104,621</u> | <u>802,215</u> |
| Total Assets | <u>\$ 1,852,237</u> | <u>\$ 1,183,527</u> | <u>\$ 1,500,790</u> | <u>\$ 1,534,974</u> |
| Liabilities: | | | | |
| Accounts payable | | \$ 8,267 | \$ 8,267 | |
| Due to bondholders | <u>\$ 1,852,237</u> | <u>1,136,925</u> | <u>1,454,188</u> | <u>\$ 1,534,974</u> |
| Total Liabilities | <u>\$ 1,852,237</u> | <u>\$ 1,145,192</u> | <u>\$ 1,462,455</u> | <u>\$ 1,534,974</u> |

Assessment District 86-1

| | | | | |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| Assets: | | | | |
| Cash and investments | \$ 999,711 | \$ 771,546 | \$ 719,443 | \$ 1,051,814 |
| Interest receivable | 7,151 | 26,018 | 19,930 | 13,239 |
| Special assessments | <u>2,147,710</u> | <u>1,488,766</u> | <u>2,153,108</u> | <u>1,483,368</u> |
| Total Assets | <u>\$ 3,154,572</u> | <u>\$ 2,286,330</u> | <u>\$ 2,892,481</u> | <u>\$ 2,548,421</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 266 | \$ 17,039 | \$ 17,305 | |
| Due to bondholders | <u>3,154,306</u> | <u>2,194,150</u> | <u>2,800,035</u> | <u>\$ 2,548,421</u> |
| Total Liabilities | <u>\$ 3,154,572</u> | <u>\$ 2,211,189</u> | <u>\$ 2,817,340</u> | <u>\$ 2,548,421</u> |

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
June 30, 2005

| | Balance at June 30, 2004 | Additions | Deletions | Balance at June 30, 2005 |
|--|-----------------------------|---------------------|---------------------|-----------------------------|
| <u>Assessment District 86-5</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 547,479 | \$ 282,288 | \$ 275,054 | \$ 554,713 |
| Interest receivable | 3,076 | 11,319 | 8,790 | 5,605 |
| Special assessments | 1,018,343 | 785,699 | 1,018,343 | 785,699 |
| | <u>1,568,898</u> | <u>1,079,306</u> | <u>1,302,187</u> | <u>1,346,017</u> |
| Total Assets | <u>\$ 1,568,898</u> | <u>\$ 1,079,306</u> | <u>\$ 1,302,187</u> | <u>\$ 1,346,017</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 128 | \$ 4,499 | \$ 4,627 | |
| Due to bondholders | 1,568,770 | 1,045,915 | 1,268,668 | \$ 1,346,017 |
| | <u>1,568,898</u> | <u>1,050,414</u> | <u>1,273,295</u> | <u>\$ 1,346,017</u> |
| Total Liabilities | <u>\$ 1,568,898</u> | <u>\$ 1,050,414</u> | <u>\$ 1,273,295</u> | <u>\$ 1,346,017</u> |
| <u>Assessment District 87-2</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 10,150 | \$ 505 | \$ 182 | \$ 10,473 |
| Interest receivable | 87 | 385 | 312 | 160 |
| | <u>10,237</u> | <u>890</u> | <u>494</u> | <u>10,633</u> |
| Total Assets | <u>\$ 10,237</u> | <u>\$ 890</u> | <u>\$ 494</u> | <u>\$ 10,633</u> |
| Liabilities: | | | | |
| Accounts payable | | | | |
| Due to bondholders | \$ 10,237 | \$ 396 | | \$ 10,633 |
| | <u>10,237</u> | <u>396</u> | <u>-</u> | <u>\$ 10,633</u> |
| Total Liabilities | <u>\$ 10,237</u> | <u>\$ 396</u> | <u>\$ -</u> | <u>\$ 10,633</u> |

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
June 30, 2005

| | Balance at June 30, 2004 | Additions | Deletions | Balance at June 30, 2005 |
|--|-----------------------------|-------------------|---------------------|-----------------------------|
| <u>Assessment District 88-2</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 383,379 | \$ 215,487 | \$ 194,617 | \$ 404,249 |
| Interest receivable | 2,249 | 8,626 | 6,646 | 4,229 |
| Special assessments | <u>876,517</u> | <u>551,390</u> | <u>876,518</u> | <u>551,389</u> |
| Total Assets | <u>\$ 1,262,145</u> | <u>\$ 775,503</u> | <u>\$ 1,077,781</u> | <u>\$ 959,867</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 170 | \$ 6,332 | \$ 6,502 | |
| Due to bondholders | <u>1,261,975</u> | <u>749,652</u> | <u>1,051,760</u> | <u>\$ 959,867</u> |
| Total Liabilities | <u>\$ 1,262,145</u> | <u>\$ 755,984</u> | <u>\$ 1,058,262</u> | <u>\$ 959,867</u> |

Assessment District 88-3

| | | | | |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| Assets: | | | | |
| Cash and investments | \$ 1,193,313 | \$ 896,474 | \$ 775,062 | \$ 1,314,725 |
| Interest receivable | 6,478 | 23,920 | 17,709 | 12,689 |
| Special assessments | <u>4,220,536</u> | <u>3,585,802</u> | <u>4,220,537</u> | <u>3,585,801</u> |
| Total Assets | <u>\$ 5,420,327</u> | <u>\$ 4,506,196</u> | <u>\$ 5,013,308</u> | <u>\$ 4,913,215</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 351 | \$ 20,800 | \$ 21,151 | |
| Due to bondholders | <u>5,419,976</u> | <u>4,392,097</u> | <u>4,898,858</u> | <u>\$ 4,913,215</u> |
| Total Liabilities | <u>\$ 5,420,327</u> | <u>\$ 4,412,897</u> | <u>\$ 4,920,009</u> | <u>\$ 4,913,215</u> |

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
June 30, 2005

| | Balance at June 30, 2004 | Additions | Deletions | Balance at June 30, 2005 |
|--|-----------------------------|---------------------|----------------------|-----------------------------|
| <u>Assessment District 96-1</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 414,530 | \$ 478,923 | \$ 357,383 | \$ 536,070 |
| Cash and investments with fiscal agent | 446,548 | 337,946 | 784,494 | |
| Interest receivable | 3,389 | 10,879 | 9,820 | 4,448 |
| Special assessments | 4,780,163 | 4,651,370 | 9,531,328 | (99,795) |
| | <u>4,780,163</u> | <u>4,651,370</u> | <u>9,531,328</u> | <u>(99,795)</u> |
| Total Assets | <u>\$ 5,644,630</u> | <u>\$ 5,479,118</u> | <u>\$ 10,683,025</u> | <u>\$ 440,723</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 49 | \$ 13,649 | \$ 13,698 | |
| Due to bondholders | 5,644,581 | 5,121,311 | 10,325,169 | \$ 440,723 |
| | <u>5,644,581</u> | <u>5,121,311</u> | <u>10,325,169</u> | <u>\$ 440,723</u> |
| Total Liabilities | <u>\$ 5,644,630</u> | <u>\$ 5,134,960</u> | <u>\$ 10,338,867</u> | <u>\$ 440,723</u> |
| <u>Assessment District 01-1</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 145,958 | \$ 262,354 | \$ 258,673 | \$ 149,639 |
| Cash and investments with fiscal agent | 253,097 | 249,642 | 247,990 | 254,749 |
| Interest receivable | 745 | 1,696 | 1,071 | 1,370 |
| Special assessments | 2,888,189 | 2,807,657 | 2,888,190 | 2,807,656 |
| | <u>2,888,189</u> | <u>2,807,657</u> | <u>2,888,190</u> | <u>2,807,656</u> |
| Total Assets | <u>\$ 3,287,989</u> | <u>\$ 3,321,349</u> | <u>\$ 3,395,924</u> | <u>\$ 3,213,414</u> |
| Liabilities: | | | | |
| Accounts payable | | \$ 9,756 | \$ 7,138 | \$ 2,618 |
| Due to bondholders | \$ 3,287,989 | 3,059,278 | 3,136,471 | 3,210,796 |
| | <u>\$ 3,287,989</u> | <u>3,059,278</u> | <u>3,136,471</u> | <u>3,210,796</u> |
| Total Liabilities | <u>\$ 3,287,989</u> | <u>\$ 3,069,034</u> | <u>\$ 3,143,609</u> | <u>\$ 3,213,414</u> |

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
June 30, 2005

| | Balance at June 30, 2004 | Additions | Deletions | Balance at June 30, 2005 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Rio Vista CFD Debt Service</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 326,058 | \$ 908,912 | \$ 417,989 | \$ 816,981 |
| Cash and investments with fiscal agent | 2,123,612 | 479,220 | 809,574 | 1,793,258 |
| Interest receivable | 1,499 | 7,194 | 1,920 | 6,773 |
| Special assessments | 65,603 | 25,263 | 65,603 | 25,263 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 2,516,772</u> | <u>\$ 1,420,589</u> | <u>\$ 1,295,086</u> | <u>\$ 2,642,275</u> |
| Liabilities: | | | | |
| Accounts payable | | \$ 16,739 | \$ 16,739 | |
| Due to bondholders | \$ 2,516,772 | 955,546 | 830,043 | \$ 2,642,275 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 2,516,772</u> | <u>\$ 972,285</u> | <u>\$ 846,782</u> | <u>\$ 2,642,275</u> |
| <u>2004 Ltd Obligation Bond A</u> | | | | |
| Assets: | | | | |
| Cash and investments with fiscal agent | | \$ 2,178,361 | \$ 287,933 | \$ 1,890,428 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ -</u> | <u>\$ 2,178,361</u> | <u>\$ 287,933</u> | <u>\$ 1,890,428</u> |
| Liabilities: | | | | |
| Due to bondholders | | \$ 2,306,009 | \$ 415,581 | \$ 1,890,428 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ -</u> | <u>\$ 2,306,009</u> | <u>\$ 415,581</u> | <u>\$ 1,890,428</u> |

(Continued)

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
June 30, 2005

| | Balance at June 30, 2004 | Additions | Deletions | Balance at June 30, 2005 |
|---|-----------------------------|---------------|---------------|-----------------------------|
| <u>Assessment District 03-01</u> | | | | |
| Assets: | | | | |
| Cash and investments | | \$ 6,778,135 | \$ 6,706,639 | \$ 71,496 |
| Cash and investments with fiscal agent | | 6,730,018 | 6,254,277 | 475,741 |
| Interest receivable | | 3,145 | 2,527 | 618 |
| Due from City | | 520,024 | | 520,024 |
| Special assessments | | 13,142,483 | 6,671,933 | 6,470,550 |
| | | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ - | \$ 27,173,805 | \$ 19,635,376 | \$ 7,538,429 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Liabilities: | | | | |
| Accounts payable | | \$ 39,980 | \$ 39,980 | |
| Due to bondholders | | 14,709,283 | 7,170,854 | \$ 7,538,429 |
| | | <hr/> | <hr/> | <hr/> |
| Total Liabilities | \$ - | \$ 14,749,263 | \$ 7,210,834 | \$ 7,538,429 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <u>Assessment District 04-01</u> | | | | |
| Assets: | | | | |
| Cash and investments | | \$ 5,888,174 | \$ 5,563,421 | \$ 324,753 |
| Cash and investments with fiscal agent | | 6,037,636 | 5,609,647 | 427,989 |
| Interest receivable | | 4,174 | 1,456 | 2,718 |
| Due from City | | 25,708 | | 25,708 |
| Special assessments | | 11,801,139 | 5,978,327 | 5,822,812 |
| | | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ - | \$ 23,756,831 | \$ 17,152,851 | \$ 6,603,980 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Liabilities: | | | | |
| Accounts payable | | \$ 29,047 | \$ 29,047 | |
| Due to bondholders | | 13,029,079 | 6,425,099 | \$ 6,603,980 |
| | | <hr/> | <hr/> | <hr/> |
| Total Liabilities | \$ - | \$ 13,058,126 | \$ 6,454,146 | \$ 6,603,980 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

CITY OF CATHEDRAL CITY
Statement of Changes in Agency Funds (Continued)
June 30, 2005

| | <u>Balance at June 30, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2005</u> |
|---|-------------------------------------|-------------------|-------------------|-------------------------------------|
| <u>Assessment District 04-02</u> | | | | |
| Assets: | | | | |
| Cash and investments | | \$ 455,950 | \$ 357,255 | \$ 98,695 |
| Interest receivable | | 2,981 | | 2,981 |
| | | | | |
| Total Assets | <u>\$ -</u> | <u>\$ 458,931</u> | <u>\$ 357,255</u> | <u>\$ 101,676</u> |
| Liabilities: | | | | |
| Accounts payable | | \$ 3,750 | \$ 3,750 | |
| Due to bondholders | | 451,800 | 350,124 | \$ 101,676 |
| | | | | |
| Total Liabilities | <u>\$ -</u> | <u>\$ 455,550</u> | <u>\$ 353,874</u> | <u>\$ 101,676</u> |

STATISTICAL SECTION

CITY OF CATHEDRAL CITY
Government-Wide Expenses By Function
Last Three Fiscal Years

TABLE 1

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Community Development</u> | <u>Pass-through Payments</u> | <u>Interest on Long-term Debt</u> | <u>Total</u> |
|------------------------|-------------------------------|--------------------------|-------------------------|----------------------------------|----------------------------------|---|---------------|
| 2003 | \$ 11,296,811 | \$ 12,761,710 | \$ 2,533,116 | | \$ 9,005,426 | \$ 6,877,084 | \$ 42,474,147 |
| 2004 | 17,178,043 | 12,844,985 | 2,172,455 | \$ 801,061 | 3,985,440 | 6,175,271 | 43,157,255 |
| 2005 | 25,015,231 | 15,433,503 | 2,878,756 | 7,129,970 | 6,106,460 | 6,155,663 | 62,719,583 |

- Note: 1. Fiscal year 2002-03 was the first year of implementation of the government-wide expenses by program. Subsequent years will be added to this schedule until a total of ten years are presented.
2. Reporting format was changed beginning with 2004 eliminating debt service funds for all Assessment Districts since the City is not obligated for this debt in any way. All figures have been adjusted for 2003 to eliminate all Assessment District Debt Service Fund Expenditures.
3. Period 2004, Community Development expenditures were excluded with General Government expenditures.

Source: City of Cathedral City Finance Department

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CITY OF CATHEDRAL CITY
Government-Wide Revenues By Source
Last Three Fiscal Years

TABLE 2

| <u>Fiscal Year</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Taxes</u> | <u>Investment Income</u> |
|------------------------|-------------------------------------|---|---|---------------|------------------------------|
| 2003 | \$ 5,195,883 | \$ 3,891,493 | \$ 252,577 | \$ 33,875,940 | \$ 1,916,429 |
| 2004 | 4,645,696 | 3,988,660 | 755,332 | 33,258,729 | 1,386,790 |
| 2005 | 5,279,510 | 4,797,551 | 354,291 | 34,678,025 | 2,612,506 |

- Note:
1. Fiscal year 2002-03 was the first year of implementation of the government-wide revenues by source. Subsequent years will be added to this schedule until a total of ten years are presented.
 2. Reporting format was changed beginning with 2004 eliminating debt service funds for all Assessment Districts since the City is not obligated for this debt in any way. All figures have been adjusted for 2003 to eliminate all Assessment District Debt Service Fund revenues.
 3. Miscellaneous revenue for 2005 includes transfer from agency funds to capital improvement funds for assessment district infrastructure work.

Source: City of Cathedral City Finance Department

TABLE 2

| <u>Misc.</u> | <u>Total</u> |
|--------------|---------------|
| \$ 1,079,679 | \$ 46,212,001 |
| 4,467,966 | 48,503,173 |
| 17,953,053 | 65,674,936 |

CITY OF CATHEDRAL CITY
General Governmental Expenditures by Function
Governmental Funds
Last Ten Fiscal Years

TABLE 3

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Pass-through Payments</u> | <u>Capital Outlay</u> |
|------------------------|-------------------------------|--------------------------|-------------------------|----------------------------------|---------------------------|
| 1996 | \$ 7,676,437 | \$ 8,935,527 | \$ 914,099 | \$ 5,478,471 | \$ 13,470,968 |
| 1997 | 7,269,439 | 9,035,181 | 1,038,802 | 5,074,800 | 17,504,502 |
| 1998 | 7,130,836 | 8,734,250 | 1,548,098 | 5,306,429 | 22,816,980 |
| 1999 | 7,745,961 | 9,011,183 | 779,294 | 5,337,622 | 12,540,210 |
| 2000 | 7,171,290 | 9,112,228 | 1,037,519 | 5,638,715 | 4,752,105 |
| 2001 | 7,865,917 | 10,952,159 | 1,184,064 | 6,643,247 | 17,370,188 |
| 2002 | 8,401,738 | 11,276,522 | 2,432,828 | 7,425,838 | 11,151,653 |
| 2003 | 8,896,242 | 11,813,294 | 2,304,324 | 9,005,426 | 10,237,926 |
| 2004 | 9,140,068 | 12,844,985 | 2,046,487 | 3,985,440 | 3,681,655 |
| 2005 | 14,965,373 | 15,433,503 | 2,125,691 | 6,106,460 | 16,142,202 |

- Notes:
- 1 Includes General, Special Revenue, Debt Service and Capital Project Funds
 2. Reporting format was changed beginning with 2004 eliminating debt service funds for all Assessment Districts since the City is not obligated for this debt in any way. All figures have been adjusted from 1996 through 2003 to eliminate all Assessment District Debt Service Fund expenditures

Source: City of Cathedral City Finance Department

TABLE 3

| <u>Debt Service</u> | <u>Total</u> |
|-------------------------|---------------|
| \$ 14,939,956 | \$ 51,415,458 |
| 12,115,847 | 52,038,571 |
| 6,409,902 | 51,946,495 |
| 6,391,623 | 41,805,893 |
| 7,435,734 | 35,147,591 |
| 7,073,012 | 51,088,587 |
| 8,608,786 | 49,297,365 |
| 9,366,450 | 51,623,662 |
| 12,137,632 | 43,836,267 |
| 10,832,059 | 65,605,288 |

CITY OF CATHEDRAL CITY
General Governmental Revenues by Source
Governmental Funds
Last Ten Fiscal Years

TABLE 4

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Fines and Forfeitures</u> | <u>Inter- Governmental</u> | <u>Licenses and Permits</u> | <u>Charges for Services</u> |
|------------------------|---------------|--------------------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| 1996 | \$ 25,104,622 | \$ 123,507 | \$ 2,569,678 | \$ 872,239 | \$ 1,569,871 |
| 1997 | 24,814,099 | 117,383 | 5,504,180 | 823,868 | 1,683,006 |
| 1998 | 20,724,523 | 67,376 | 6,538,791 | 1,050,069 | 4,958,871 |
| 1999 | 26,344,522 | 100,543 | 4,102,038 | 1,578,997 | 2,211,073 |
| 2000 | 27,326,351 | 197,078 | 3,019,932 | 2,010,595 | 2,278,361 |
| 2001 | 27,298,814 | 179,350 | 3,922,543 | 2,149,937 | 3,858,433 |
| 2002 | 30,371,743 | 196,493 | 2,382,219 | 2,146,618 | 4,099,497 |
| 2003 | 33,875,940 | 224,964 | 3,948,572 | 2,675,795 | 2,896,160 |
| 2004 | 30,158,695 | 288,778 | 3,940,752 | 2,564,105 | 3,499,037 |
| 2005 | 34,678,025 | 11,283 | 4,200,128 | 2,523,772 | 4,242,513 |

- Notes:
1. Includes General, Special Revenue, Debt Service and Capital Project Funds
 2. Reporting format was changed beginning with 2004 eliminating debt service funds for all Assessment Districts since the City is not obligated for this debt in any way. All figures have been adjusted from 1996 through 2003 to eliminate all Assessment District Debt Service Fund revenues

Source: City of Cathedral City Finance Department

TABLE 4

| <u>Investment Income</u> | <u>Misc.</u> | <u>Total</u> |
|------------------------------|--------------|---------------|
| \$ 2,328,278 | \$ 1,786,088 | \$ 34,354,283 |
| 2,428,169 | 2,699,951 | 38,070,656 |
| 1,232,321 | 756,315 | 35,328,266 |
| 1,946,590 | 1,046,425 | 37,330,188 |
| 2,237,328 | 607,223 | 37,676,868 |
| 3,099,852 | 2,238,891 | 42,747,820 |
| 2,311,204 | 4,077,057 | 45,584,831 |
| 1,916,429 | 1,205,640 | 46,743,500 |
| 1,444,002 | 1,083,660 | 42,979,029 |
| 2,612,506 | 1,921,641 | 50,189,868 |

CITY OF CATHEDRAL CITY
General Governmental Tax Revenues by Source
Governmental Funds
Last Ten Fiscal Years

TABLE 5

| Fiscal Year | Property Tax (2) | Tax Increment | Transient Occupancy Tax | Sales and Use Tax | Other Taxes | Total |
|-------------|------------------|---------------|-------------------------|-------------------|--------------|---------------|
| 1996 | \$ 833,744 | \$ 12,535,666 | \$ 1,017,062 | \$ 4,522,635 | \$ 6,195,515 | \$ 25,104,622 |
| 1997 | 858,277 | 12,105,356 | 1,087,408 | 4,307,742 | 6,455,315 | 24,814,099 |
| 1998 | 871,819 | 11,953,011 | 857,276 | 4,873,192 | 2,169,225 | 20,724,523 |
| 1999 | 896,871 | 11,757,903 | 1,380,361 | 5,990,220 | 6,319,165 | 26,344,522 |
| 2000 | 1,071,616 | 12,514,382 | 1,363,087 | 7,292,706 | 5,084,559 | 27,326,351 |
| 2001 | 1,046,853 | 14,792,584 | 1,391,278 | 7,545,188 | 2,522,911 | 27,298,814 |
| 2002 | 1,184,404 | 17,111,405 | 1,463,824 | 7,816,898 | 2,795,212 | 30,371,743 |
| 2003 | 1,281,610 | 19,513,005 | 1,773,787 | 8,652,286 | 2,655,252 | 33,875,940 |
| 2004 | 1,394,287 | 15,289,404 | 1,681,380 | 9,331,431 | 2,462,193 | 30,158,695 |
| 2005 | 1,787,280 | 17,586,302 | 1,702,962 | 10,164,931 | 3,436,550 | 34,678,025 |

Notes:

1. Includes General, Special Revenue, Debt Service and Capital Project Funds
2. Includes property transfers and structural fire taxes.
3. Sales Tax for 2005 includes \$7,774,070 monthly payments plus \$2,390,861 from the Sales Tax Compensation Fund which is received twice per year

Source: City of Cathedral City Finance Department

CITY OF CATHEDRAL CITY
Property Tax Levies and Collections
Last Ten Fiscal Years

TABLE 6

| <u>Fiscal Year Ending June 30</u> | <u>Total Tax Levy</u> | <u>Current Tax Collection</u> | <u>Percent of Levy Collected</u> | <u>Total Tax Collections</u> | <u>Ratio of Total Collections to Levy</u> |
|---|-------------------------------|---------------------------------------|--|--------------------------------------|---|
| 1996 | \$ 757,246 | \$ 744,372 | 98.3% | \$ 744,372 | 98.3% |
| 1997 | 743,531 | 730,505 | 98.2% | 730,505 | 98.2% |
| 1998 | 741,050 | 727,976 | 98.2% | 727,976 | 98.2% |
| 1999 | 740,571 | 727,499 | 98.2% | 727,499 | 98.2% |
| 2000 | 734,352 | 720,881 | 98.2% | 720,881 | 98.2% |
| 2001 | 733,920 | 720,195 | 98.1% | 720,195 | 98.1% |
| 2002 | 705,309 | 690,898 | 98.0% | 690,898 | 98.0% |
| 2003 | 705,512 | 695,933 | 98.6% | 695,933 | 98.6% |
| 2004 | 718,305 | 708,011 | 98.6% | 708,011 | 98.6% |
| 2005 | * | * | * | * | * |

Notes: * Not available at time of printing

1. Cathedral City is on the Teeter Plan.
2. Years 1995 through 2004 have been estimated since data is not available

Source: Riverside County Auditor-Controller's Office

CITY OF CATHEDRAL CITY
Assessed Valuations of Taxable Property
Last Ten Fiscal Years

TABLE 7

| <u>Fiscal Year</u> | <u>Nonunitary</u> | <u>Secured Property</u> | <u>Unsecured Property</u> | <u>Total Assessed Property Value</u> |
|------------------------|-------------------|-----------------------------|-------------------------------|--|
| 1996 | \$ - | \$ 1,627,195,473 | \$ 60,322,139 | \$ 1,687,517,612 |
| 1997 | - | 1,583,286,551 | 59,183,556 | 1,642,470,107 |
| 1998 | - | 1,563,105,844 | 66,493,210 | 1,629,599,054 |
| 1999 | 224,723 | 1,562,915,361 | 52,388,433 | 1,615,528,517 |
| 2000 | 153,537 | 1,618,164,988 | 49,889,648 | 1,668,208,173 |
| 2001 | 141,933 | 1,797,371,102 | 77,199,212 | 1,874,712,247 |
| 2002 | 155,390 | 2,032,004,758 | 78,385,697 | 2,110,545,845 |
| 2003 | - | 2,244,056,372 | 80,644,771 | 2,324,701,143 |
| 2004 | 170,853 | 2,460,268,685 | 94,948,189 | 2,555,387,727 |
| 2005 | 213,191 | 2,776,673,226 | 87,797,945 | 2,864,684,362 |

Sources: 1. Riverside County Auditor-Controller's Office
2. HdL Coren & Cone

TABLE 7

| <u>Less Homeowners Exemptions</u> | <u>Net Taxable Value</u> |
|---|----------------------------------|
| \$ 34,727,957 | \$ 1,652,789,655 |
| 35,782,621 | 1,606,687,486 |
| 36,570,103 | 1,593,028,951 |
| 36,834,344 | 1,578,694,173 |
| 36,150,510 | 1,632,057,663 |
| 37,109,739 | 1,837,602,508 |
| 39,170,982 | 2,071,374,863 |
| 41,912,344 | 2,282,788,799 |
| 46,731,597 | 2,508,656,130 |
| 48,319,893 | 2,816,364,469 |

CITY OF CATHEDRAL CITY
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years (per \$100 of Assessed Value)

TABLE 8

| <u>Fiscal Year</u> | <u>General Purpose</u> | <u>School Districts</u> | <u>Water Districts</u> | <u>County Flood Control</u> | <u>Total</u> |
|------------------------|----------------------------|-----------------------------|----------------------------|---------------------------------|--------------|
| 1996 | 1.00000 | 0.03414 | 0.02080 | | 1.05494 |
| 1997 | 1.00000 | 0.04041 | 0.02080 | | 1.06121 |
| 1998 | 1.00000 | 0.05110 | 0.02080 | | 1.07190 |
| 1999 | 1.00000 | 0.05620 | 0.02080 | | 1.07700 |
| 2000 | 1.00000 | 0.06050 | 0.02080 | | 1.08130 |
| 2001 | 1.00000 | 0.05609 | 0.02080 | | 1.07689 |
| 2002 | 1.00000 | 0.05609 | 0.02080 | | 1.07689 |
| 2003 | 1.00000 | 0.06002 | 0.02080 | | 1.08082 |
| 2004 | 1.00000 | 0.06052 | 0.02080 | | 1.08132 |
| 2005 | 1.00000 | 0.06052 | 0.02080 | | 1.08132 |

Source: Riverside County Tax Rate Book TRA 19-000

CITY OF CATHEDRAL CITY
Ten Largest Taxpayers (Secured)
June 30, 2005

TABLE 9

| <u>Taxpayer</u> | <u>Business</u> | <u>2004-05 Assessed Valuation</u> | <u>Percentage of Total Assessed Valuation (a)</u> |
|------------------------------------|------------------------------|---|---|
| MHC Date Palm | Mobile Home Park/Golf Course | \$ 26,806,176 | 0.97% |
| Welk Park North | Timeshare Resort | 25,852,959 | 0.93% |
| Cathedral City Marketplace I | Commercial/Residentia | 19,750,412 | 0.71% |
| Desert Vistas | * | 16,513,931 | 0.59% |
| Capstar Cathedral City Company | Senior Apartments | 13,694,288 | 0.49% |
| Cimarron Golf Club | Golf Resort & Timeshare | 12,780,048 | 0.46% |
| Palm Springs Motors, Inc. | New Motor Vehicle Dealership | 11,225,564 | 0.40% |
| Pace Membership Warehouse, Inc. | Discount Department Store | 10,008,463 | 0.36% |
| Cathedral Creekside | Residential | 10,752,014 | 0.39% |
| Wal Mart Real Estate Business Trus | Discount Department Store | 10,458,000 | 0.38% |
| | | <u>\$ 157,841,855</u> | <u>5.68%</u> |

Notes: * Not available at time of printing.
1. Local Secured Assessed Valuation = \$2,776.673,226

Sources: 1. HdL Coren & Cone
 2. City of Cathedral City

CITY OF CATHEDRAL CITY
Top 25 Sales Tax Producers
June 30, 2005

TABLE 10

| Taxpayer | Business |
|---------------------------------|------------------------------|
| Acura Mazda of the Desert | New Motor Vehicle Dealers |
| Albertsons | Grocery Stores/Liquor |
| Arco AM PM Mini Mart | Service Stations |
| Arco AM PM Mini Mart | Service Stations |
| C & M Building Materials | Lumber/Building Materials |
| Champion Mitsubishi | New Motor Vehicle Dealers |
| Chrystal Chrysler Center | New Motor Vehicle Dealers |
| Desert Lexus | New Motor Vehicle Dealers |
| Ferguson Enterprises | Plumbing/Electrical Supplies |
| Honda of the Desert | New Motor Vehicle Dealers |
| Jessup Auto Plaza | New Motor Vehicle Dealers |
| Legacy Home Furnishings | Home Furnishings |
| O'Brien Hyundai | New Motor Vehicle Dealers |
| Palm Springs Motors | New Motor Vehicle Dealers |
| Palm Springs Nissan | New Motor Vehicle Dealers |
| Palm Springs Oil | Service Stations |
| Palm Springs Volvo & Subaru | New Motor Vehicle Dealers |
| Sams Club | Discount Dept Stores |
| Spreen Saturn | New Motor Vehicle Dealers |
| Target | Discount Dept Stores |
| Toyota Motor Credit Corporation | Auto Lease |
| Toyota of the Desert | New Motor Vehicle Dealers |
| Ultramar | Service Stations |
| United Rentals | Repair Shops |
| Walmart | Discount Dept Stores |

Notes: 1. Percent of Fiscal Year Total that is paid by Top 25 Accounts = 63.91%
 2. Firms are listed alphabetically
 3. Period: April 2004 through March 2005

Source: HdL Coren & Cone

CITY OF CATHEDRAL CITY
Special Assessment Levies and Collection
Last Ten Fiscal Years

TABLE 11

| <u>Fiscal Year</u> | <u>Assessment Levy</u> | <u>Current Assessments Collected</u> | <u>Percentage Collected Currently</u> |
|------------------------|----------------------------|--|---|
| 1996 | \$ 7,301,682 | \$ 6,684,114 | 91.5% |
| 1997 | 7,594,734 | 6,852,877 | 90.2% |
| 1998 | 7,200,543 | 6,716,675 | 93.3% |
| 1999 | 7,291,537 | 6,825,979 | 93.6% |
| 2000 | 7,333,321 | 6,959,715 | 94.9% |
| 2001 | 7,177,984 | 6,831,762 | 95.2% |
| 2002 | 4,333,280 | 4,100,063 | 94.6% |
| 2003 | 4,462,830 | 4,068,221 | 91.2% |
| 2004 | 5,298,726 | 5,125,581 | 96.7% |
| 2005 | 5,718,386 | 5,506,626 | 96.3% |

Source: Riverside County Auditor-Controller's Office

TABLE 12

The City of Cathedral City has no general bonded indebtedness

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CITY OF CATHEDRAL CITY
Schedule of Direct and Overlapping Bond Debt
For the Year Ended June 30, 2005

TABLE 13

2004-05 Assessed Valuation: \$2,863,996,257
Redevelopment Incremental Valuation: 2,393,122,740

Adjusted Assessed Valuation: \$ 470,873,517

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT (1):</u> | <u>% Applicable</u> | <u>Debt 6/30/05</u> |
|--|---------------------|---------------------|
| Riverside County Flood Control and Water Conservation District, Zone No. 6 | 2.436% | \$ 7,917 |
| Desert Community College District | 2.215 | 1,558,848 |
| Palm Springs Unified School District | 4.933 | 6,324,106 |
| Coachella Valley County Water District, I.D. No. 53 | 4.530 | 7,475 |
| City of Cathedral City Community Facilities District No. 2000-1 | 100. | 12,220,000 |
| City of Cathedral City 1915 Act Bonds | 100. | <u>31,120,260</u> |

TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT \$51,238,606

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

| | | |
|---|--------|----------------|
| Riverside County General Fund Debt | 0.454% | \$2,820,927 |
| Riverside County Board of Education Certificates of Participation | 0.454 | 55,456 |
| City of Cathedral City General Fund Debt | 100. | 6,720,000 |
| Coachella Valley County Water District, I.D. No. 71 Certificates of Participation | 2.152 | <u>205,086</u> |

TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT 9,801,469
Less: Riverside self-supporting obligations 93,217

TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT \$9,708,252

GROSS COMBINED TOTAL DEBT \$61,040,075 ⁽²⁾
NET COMBINED TOTAL DEBT \$60,946,858 ⁽²⁾

(1) Includes all bonded debt which requires a tax levy or assessment charge: e.g. general obligation bonds, Mello-Roos Act and 1915 Act Bonds, benefit assessments, lease tax obligations and parcel tax obligations.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2004-05 Assessed Valuation:

Total Overlapping Tax and Assessment Debt . 1.79%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$6,720,000)..... 1.43%
Gross Combined Total Debt 12.96%
Net Combined Total Debt 12.94%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0

Source: California Municipal Statistics, Inc.

CITY OF CATHEDRAL CITY
Taxable Lease Revenue Bonds
Big League Dreams Sports Park
Last Eight Fiscal Years

TABLE 14

| Fiscal Year | Revenue Available for Debt Service | Debt Service Requirements | | Total | Coverage |
|----------------|---|---------------------------|------------|------------|----------|
| | | Principal | Interest | | |
| 1998 | \$ 307,255 | | \$ 383,094 | \$ 383,094 | 0.80 |
| 1999 | 475,000 | | 458,185 | 458,185 | 1.04 |
| 2000 | 480,000 | \$ 180,000 | 451,930 | 631,930 | 0.76 |
| 2001 | 350,498 | 65,000 | 443,416 | 508,416 | 0.69 |
| 2002 | 580,734 | 70,000 | 438,725 | 508,725 | 1.14 |
| 2003 | 478,823 | 75,000 | 433,555 | 508,555 | 0.94 |
| 2004 | 485,174 | 80,000 | 427,898 | 507,898 | 0.96 |
| 2005 | 480,762 | 85,000 | 421,875 | 506,875 | 0.95 |

Note: Revenues available for debt service consists of lease payments made by the Big League Dreams Sports, L.L.C to the City of Cathedral City.

Source: City of Cathedral City Finance Department

CITY OF CATHEDRAL CITY
Demographic Statistics
Last Ten Calendar Years

TABLE 15

| <u>Fiscal Year</u> | <u>Square Miles</u> | <u>Population</u> | <u>Population Percent Change</u> | <u>Riverside County Population</u> | <u>City Population Percent Of County</u> |
|------------------------|-------------------------|-------------------|--|--|--|
| 1996 | 19.6 | 35,473 | -1.1% | 1,381,879 | 2.6% |
| 1997 | 19.6 | 34,927 | -1.5% | 1,379,956 | 2.5% |
| 1998 | 19.6 | 36,028 | 3.2% | 1,441,237 | 2.5% |
| 1999 | 19.6 | 36,770 | 2.1% | 1,473,307 | 2.5% |
| 2000 | 19.6 | 38,632 | 5.1% | 1,522,855 | 2.5% |
| 2001 | 19.6 | 44,643 | 15.6% | 1,609,356 | 2.8% |
| 2002 | 19.6 | 45,417 | 1.7% | 1,644,341 | 2.8% |
| 2003 | 19.6 | 47,292 | 4.1% | 1,705,537 | 2.8% |
| 2004 | 19.6 | 48,588 | 2.7% | 1,776,743 | 2.7% |
| 2005 | 19.6 | 50,632 | 4.2% | 1,877,000 | 2.7% |

Sources: 1. California State Department of Finance
2. City of Cathedral City

CITY OF CATHEDRAL CITY
Property Value and Construction
Last Ten Fiscal Years
(In Thousands)

TABLE 16

| Fiscal Year | Total Assessed Property Value | Percent Change | Number of Building Permits Issued | Percent Change | Estimated Valuation | Percent Change | Bank Deposits | Percent Change |
|-------------|-------------------------------|----------------|-----------------------------------|----------------|---------------------|----------------|---------------|----------------|
| 1996 | \$1,687,517,612 | -0.69% | 1,317 | -9.17% | \$28,467,977 | -35.90% | * | * |
| 1997 | 1,642,470,107 | -2.67% | 1,233 | -6.38% | 30,260,396 | 6.30% | * | * |
| 1998 | 1,629,599,054 | -0.78% | 1,366 | 10.79% | 39,077,066 | 29.14% | * | * |
| 1999 | 1,615,528,517 | -0.86% | 1,611 | 17.94% | 80,123,546 | 105.04% | * | * |
| 2000 | 1,668,208,173 | 3.26% | 1,931 | 19.86% | 110,926,884 | 38.44% | \$157,536,000 | * |
| 2001 | 1,874,712,247 | 12.38% | 2,056 | 6.47% | 121,135,329 | 9.20% | 144,944,000 | -7.99% |
| 2002 | 2,110,545,845 | 12.58% | 2,030 | -1.26% | 115,282,438 | -4.83% | 165,395,000 | 14.11% |
| 2003 | 2,324,701,143 | 10.15% | 2,287 | 12.66% | 128,810,054 | 11.73% | 174,477,000 | 5.49% |
| 2004 | 2,555,387,727 | 9.92% | 2,065 | -9.71% | 130,598,770 | 1.39% | 189,711,000 | 8.73% |
| 2005 | 2,864,684,362 | 12.10% | 2,204 | 6.73% | 108,157,784 | -17.18% | * | * |

Notes: * Not available at time of printing.

Source: 1. Riverside County Auditor-Controller's Office
2. Findley Reports on California Financial Institutions

CITY OF CATHEDRAL CITY
Miscellaneous Statistics
June 30, 2005

TABLE 17

| | |
|---|-----------------------------|
| Date of Incorporation | November 16, 1981 |
| Form of Government | Council-Manager/General Law |
| Registered Voters | 19,231 |
| Area in Square Miles | 19.6 |
| Miles of streets | 205.36 |
| Fire protection: | |
| Number of stations | 3 |
| Number of firefighters and officers | 39 |
| Police protection: | |
| Number of stations | 1 |
| Number of service offices | 3 |
| Number of sworn officers | 56 |
| Public education facilities | |
| Elementary schools | 4 |
| Middle schools | 2 |
| High schools | 1 |
| Sewers and drains: | |
| Miles of storm drains | 4.12 |
| Recreation and culture: | |
| Park sites | 4 |
| Community centers | 1 |
| Libraries | 1 |
| Water Park | 1 |
| Amusement Parks/Family Entertainment Center | 1 |
| Ball Park | 1 |
| Bowling Centers | 1 |
| Theaters | 3 |
| Full-time City employees (excluding Police and Fire | 94 |
| Elected Officials | 7 |
| Part-time City employees | 24 |
| Population | 50,632 |

Sources: 1. City of Cathedral City
2. State Department of Finance